

Securing tomorrow's energy begins today

SaskPower Annual Report 2009



An 80-year model for achievement

At SaskPower, we've always followed a simple blueprint. It's one that tells us that success is built on resourcefulness, hard work and a solid plan. Now more than ever, this combination will be critical as our company seeks to revitalize and strengthen the infrastructure responsible for delivering Saskatchewan's electricity.

As we mark eight decades of service, SaskPower is entering this new and unparalleled era of renewal and expansion with a record capital investment and participation in a province-wide dialogue on our energy future. Together, they represent the beginning of a multi-decade strategy to generate a sustainable electricity supply — one that is safe, reliable and enhances quality of life and economic competitiveness in Saskatchewan.

Strategic direction

Our company's strategic direction — articulated in detail within SaskPower's Strategic Plan — is created with input from our employees, Executive and Board of Directors. It is aligned with the objectives of our shareholder, the Crown Investments Corporation of Saskatchewan.

SaskPower's corporate vision acts as a rallying point by reminding us of the ideals we are pursuing and what we want to achieve in years to come. Our mission tells us why our business exists and defines its unique purposes. Our values are the fundamental principles that guide and govern our behaviour. And our strategic priorities provide us with clear operational objectives that will guide us to the achievement of our vision.

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Priorities

1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Informed and engaged stakeholders.
4. Dependable and secure infrastructure.
5. Efficient and effective operations.
6. Strong environmental stewardship and performance.
7. Prudent financial management and growth.

Delivering solid results

Financial and operating highlights

Financial indicators

(in millions)	2009	2008	Change
Revenue	\$ 1,546	\$ 1,489	\$ 57
Operating costs ¹	1,453	1,397	56
Operating income ¹	93	92	1
Net income	103	64	39
Dividends	—	46	(46)
Capital expenditures	640	422	218
Gross long-term debt	2,571	2,578	(7)
Short-term advances	272	—	272
Operating return on equity ²	5.9%	5.9%	—
Return on equity ³	6.5%	4.2%	2.3 %
Per cent debt ratio ⁴	61.4%	60.7%	0.7 %

1. Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provide management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the non-GAAP measures section on page 55 of the Management's Discussion & Analysis for further discussion of these items.

2. Operating return on equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.

3. Return on equity = (net income)/(average equity).

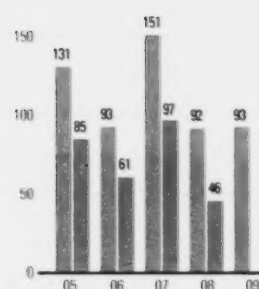
4. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt + short-term advances + bank indebtedness - debt retirement funds - cash and cash equivalents).

Operating statistics

(GWh)	2009	2008	Change
Saskatchewan electricity sales	17,765	18,192	(427)
Exports	224	409	(185)
Total electricity sales	17,989	18,601	(612)
Gross electricity supplied	19,864	20,480	(616)
Line losses	(1,875)	(1,879)	4
Net electricity supplied	17,989	18,601	(612)
Electricity trading purchases	1,524	1,861	(337)
Line losses	(63)	(48)	(15)
Electricity trading sales	1,461	1,813	(352)

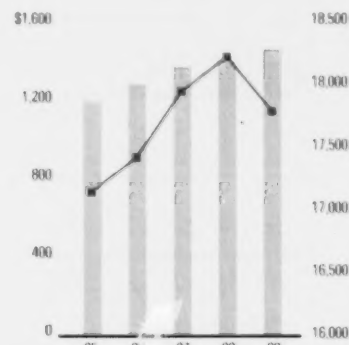
One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year.

\$200



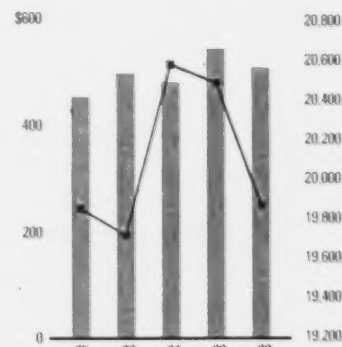
OPERATING INCOME AND DIVIDENDS (millions)

■ OPERATING INCOME ■ DIVIDENDS



SASKATCHEWAN ELECTRICITY SALES

■ ELECTRICITY SALES (MILLIONS) — ELECTRICITY SALES (GWH)



NET FUEL AND PURCHASED POWER

■ NET FUEL AND PURCHASED POWER (MILLIONS) — GROSS ELECTRICITY SUPPLIED (GWH)



2009 CAPITAL EXPENDITURES - \$640 million

■ GENERATION 58% ■ OTHER 8%
■ TRANSMISSION AND DISTRIBUTION 34%

Letter of transmittal



Regina
March 2010

To His Honour
The Honourable Dr. Gordon L. Barnhart, S.O.M., PhD
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2009. The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Sir, your obedient servant,

A handwritten signature in cursive script that reads "Bill Boyd".

Honourable Bill Boyd
Minister responsible for Saskatchewan Power Corporation

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Corporate profile

Since 1929, SaskPower has delivered electricity throughout our vast province. Today, we strive to serve an increasingly diverse and sophisticated customer base of more than 467,000 customers.

SaskPower's team is made up of over 2,600 permanent full-time employees in 71 communities. We manage \$4.9 billion in generation, transmission and distribution assets. Our company operates three coal-fired power stations, seven hydroelectric stations, five natural gas stations and two wind facilities. Combined, they generate 3,371 megawatts (MW) of electricity.

SaskPower also buys power from the SunBridge Wind Power Project, Meridian Cogeneration Station, Cory Cogeneration Station, and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects. At the end of the year, our company's total available generation capacity was 3,840 MW.

SaskPower's network serves a large geographic area and widely-dispersed population. About three customers are supplied per circuit kilometre. We maintain more than 157,000 kilometres of power lines, 56 high voltage switching stations and 184 distribution substations. Our company also has interties at the Manitoba, Alberta and North Dakota borders.



Charged with purpose

A message to our stakeholders

With the passing of time, things change. This is one of life's few constants. And every day it makes our business both unpredictable and exciting.

However, one thing that will never change is the need for safe, reliable and sustainable electricity. SaskPower will continue to strive to provide this source of energy to Saskatchewan customers.

Another certainty is that we must make further progress in advancing the way that we provide this fundamental essential service.

Investing in expansion and renewal

In 2009, our company posted a solid operating income of \$93 million while maintaining one of the strongest balance sheets among Crown utilities in Canada. We were also able to keep rates competitive with other Canadian thermal based utilities.

We experienced a record peak load of 3,231 megawatts (MW). However, overall energy sales were down. This was partially due to some of our larger industrial customers deferring new projects. But demand is expected to rebound by escalating at double the annual rate of the last 10 years.

In fact, by 2030 our company will need to rebuild, replace or acquire 4,100 MW in order to ensure we can meet increasing load growth and effectively revitalize our aging infrastructure. In response, during the year we made a record capital investment of \$640 million in Saskatchewan's electrical system. This trend will continue over the next two decades as billions of additional dollars will be spent to meet capital requirements.

Recognizing the financial challenge renewal and expansion are placing upon our company, in 2009 our shareholder — the Crown Investments Corporation of Saskatchewan — did not require SaskPower to pay a dividend. This will assist us in meeting our capital requirements while responsibly managing debt.

Planning for performance

Twelve months from now our operating environment will be much different. But right now it's impossible to firmly predict what it will look like. For example, we don't know what the timeline will be for federal emissions regulations. We don't know what the exact price will be for natural gas. And we don't know

how much water will be available to run our hydroelectric stations.

However, we do know that a solid strategy and ongoing system planning can ensure we meet the challenges ahead. Revised annually, our company's Strategic and Business Plan plays a prominent role in guiding our immediate and long-term actions. During the year, in order to help advance our corporate vision, two strategic priorities were added: "efficient and effective operations" and "informed and engaged stakeholders."

Both were considered in preparing and sharing SaskPower's new electricity and conservation strategy with the provincial government's Standing Committee on Crown and Central Agencies. The plan outlines a clear short-term strategy for meeting Saskatchewan's energy needs until 2014. And we look forward to hearing perspectives from all stakeholders about the medium- and long-term strategies as we continue to develop conservation initiatives and conduct an exhaustive evaluation of supply options.

Counting on innovative thinking

Saskatchewan has long relied on coal to generate the majority of our electricity. But the need to address climate change and a host of new and anticipated emissions regulations means we must adapt by changing how we use coal. And as we revitalize our company's assets we must be on the leading edge of clean energy development while simultaneously strengthening conservation initiatives.

We have not added new coal-fired generation to our system since 1992. Instead, we've opted for low- or non-emitting forms of generation. In 2009, we commissioned two new natural gas

"Aside from an intense focus on infrastructure, strengthening our relationship with customers is also a major priority."

facilities while announcing a power purchase agreement with Northland Power for 86 MW of gas-fired generation. We have also recently announced an additional power purchase agreement with Northland Power for 261 MW of baseload gas-fired generation. All of this capacity will help us meet short-term needs while emerging technologies are further developed and the regulatory outlook clears.

Gas-fired generation is also strengthening our system so that we can add more wind power. In 2009, our company completed a study that concluded Saskatchewan's grid can host a further 200 MW from this source. As a result, we announced two new initiatives. The Green Options Plan will see SaskPower procuring up to 175 MW of wind power from one or more Independent Power Producers. Meanwhile, the Green Options Partners Program will facilitate the purchase of up to 50 MW of renewable power from private sector developers, with up to 25 MW of the total coming from wind. The remainder will be generated through proven clean sources, such as biomass, heat recovery or low impact hydro.

We are also continuing our commitment to the integration of new generation and control technologies. When it comes to coal, this includes the potential development of one of the world's first and largest integrated carbon capture and storage projects based at Boundary Dam Power Station. Captured carbon dioxide could be used in enhanced oil recovery, injected to revive production in depleted oilfields. Meanwhile, our award-winning Emissions Control Research Facility has developed an innovative solution to assist us in meeting the requirements of the federal Canada-Wide Standard for mercury emissions that comes into effect in 2010.

Transmitting service excellence

Aside from an intense focus on infrastructure, strengthening our relationship with customers is also a major priority. It's clear that they have growing environmental, economic and social expectations. And while we remain in the top quartile of Canadian utility industry customer satisfaction, we believe there is room for improvement.

Our Service Delivery Renewal Program is leading the way. With a need to strengthen technological support, during the year we took a first step by deploying laptop computers with schedule

and dispatch software in our field trucks. We also further investigated Advanced Metering Technology for homes and businesses, which would provide customers and our company with valuable real-time information about energy use.

Meanwhile, we're empowering customers to make individual energy choices. During 2009 we added several offerings to our SaskPower Eneraction portfolio of energy efficiency, conservation and load management programs. We're also supporting environmentally responsible customer self generation through net metering, as well as providing enhanced financial support for geothermal and renewable energy systems.

Delivering on our commitment

We are exceptionally proud of our colleagues for their tireless dedication and achievements, whether through their work in furthering customer service or operational excellence. Obviously our employees will always remain the key to meeting our company's mandate. Their safety — and the safety of our customers — remains of paramount importance.

We would like to recognize the more than 2,600 women and men who make it their everyday business to secure Saskatchewan's energy future. We also extend our gratitude for the leadership and service of former president and CEO Pat Youzwa and our Board Members.

We thank our customers and stakeholders for their trust in us today, and extend an invitation to continue our conversation as we create a vision for tomorrow.



Joel Teal
Chair, Board of Directors



Garner Mitchell
Acting president and CEO

Taking our vision and strategy further

Our year at a glance

Making a great company even better requires focus. At SaskPower, we see people, innovation and partnerships as essential in our vision of powering Saskatchewan to a bright future.

At the heart of our Strategic Plan are seven strategic priorities. They're guiding our company's continuing pursuit of a sustainable energy future for our customers and province. In 2009, our company made steady headway in advancing our strategy and our chief areas of concentration:

Strategic priority one: proud and productive employees

SaskPower is placing a primary emphasis on our current and future personnel. We are building on a proud past by cultivating a workforce that is highly skilled, responsive, passionate, and committed to preserving the trust people invest in us.

- SaskPower recognized as one of Canada's best diversity employers.
- New workforce plan addresses key recruitment and retention issues.
- Enhanced performance management system rolled out.
- Company records fewest ever lost days to work-related injuries.
- Corporate Health and Wellness Program developed.

Strategic priority two: loyal and satisfied customers

We recognize that we must meet the challenge of rising customer expectations and the revitalization of an aging SaskPower infrastructure. As a result, we are focusing on making it easier for customers to do business with us and providing service that is convenient and responsive.

- SaskPower scores in top quartile of Canadian utility industry customer satisfaction.
- Farmyard Power Line Relocation Program and Rural Electrical Distribution Program introduced.
- Demand Response Assessment Project concluded and Demand Response Program commenced.
- Funding for customer geothermal systems expanded and enhanced.
- Energy Performance Contracting Program contracts signed with two provincial health regions.
- Commercial Lighting Program announced.
- Municipal Ice Rink Program launched.
- Public Safety Policy and Standard completed.

Strategic priority three: informed and engaged stakeholders

We believe that a strong relationship with those who have a shared interest in SaskPower is fundamental to our company's success. Whether with our shareholder, customers, governments, associations, regulators, partners, or Aboriginal communities, we are ensuring our connection with stakeholders is transparent and proactive.

- SaskPower participates in province-wide dialogue on Saskatchewan's energy future.
- New electricity and conservation strategy released.
- Public consultations program ongoing with nine open houses held related to transmission and power production projects.
- Energy efficiency and farm safety educational advertising campaigns continue.

Strategic priority four: dependable and secure infrastructure.

We are committed to a comprehensive review of options through our ongoing supply, transmission and distribution planning processes. Where prudent, we are striving to extend the life of existing infrastructure. We are also ensuring that we select the most reliable and environmentally advantageous future additions while developing a significant role for private sector partners.

- Record \$640 million investment made in provincial electrical infrastructure.
- Record peak load of 3,231 megawatts (MW).
- System generating unit equivalent availability factor highest ever recorded.
- Plan to double Saskatchewan wind power capacity announced.
- Three simple cycle gas turbine facilities totaling 340 MW commissioned or under construction.
- Request for qualifications (RFQ) issued under new Green Options Plan for up to 175 MW of wind power.
- Green Options Partners Program announced for up to 50 MW of renewables — including up to 25 MW of wind — from private sector developers.
- Power purchase agreement for 86 MW of natural gas-fired power signed with Northland Power.
- Request for proposals (RFP) issued for up to 400 MW of baseload generation, leading to recently announced power purchase agreement with Northland Power for 261 MW of natural gas-fired electricity.
- Major overhauls active at Queen Elizabeth Power Station Unit #2 and Boundary Dam Power Station Unit #2.
- Refurbishment of two units undertaken at E.B. Campbell Hydroelectric Station.
- Boundary Dam Power Station spillway upgrade continues.
- Planning for Poplar River Power Station ash lagoon expansion begins.
- Transmission service connections completed to a record 19 industrial customers.
- Construction contract awarded for 160-kilometre Poplar River to Pasqua 230 Kilovolt Transmission Line.

Strategic priority five: efficient and effective operations.

Our company will remain steadfast in taking demonstrable strides to manage costs. We are improving the productivity of our assets and use of our workforce. As we make a significant re-investment in our infrastructure, we are also leveraging partnerships to strengthen our company's financial position while maximizing spending efficiency.

- Development of a new corporate-wide Efficiency and Effectiveness Program begins, which will target improvements in fuel and purchased power costs, operating maintenance and administration expense, and capital spending.
- Use of short-term advances is increased within SaskPower's capital structure, resulting in interest rates that are significantly lower than fixed long-term borrowings.
- Multimillion dollar efficiency and effectiveness savings targets created for next three years.

Strategic priority six: strong environmental stewardship and performance.

We will balance meeting the growing demand for electricity with the needs of our natural environment. In meeting this challenge, we are continuing to pursue the development and introduction of cleaner sources of electricity. We are also promoting an internal culture of environmental responsibility while working with our customers to reduce their energy use.

- Business case for the Boundary Dam Demonstration ICCS Project — one of the world's first and largest integrated carbon capture and storage demonstrations — furthered.
- SaskPower Eneraction introduces new energy efficiency and conservation programs.
- Conservation Volunteers Program launched in partnership with Nature Conservancy of Canada.
- Shand Greenhouse distributes 545,128 seedlings.

Strategic priority seven: prudent financial management and growth.

In order to maintain SaskPower's solid financial foundation, we will endeavor to keep rates competitive with comparable utilities while generating enough revenue to support the revitalization of our company. We are also pursuing private sector partnerships while taking advantage of growth opportunities through energy trading.

- Dividend to shareholder suspended to assist in accommodating record reinvestment in Saskatchewan's electrical system.
- Operating income of \$93 million.
- Per cent debt ratio of 61.4%.
- Over \$1 billion flows from SaskPower into Saskatchewan's economy.

Yesterday, today and tomorrow

Powering a province is not something we take lightly. For more than 80 years, we've recognized the critical importance of our around-the-clock role of providing energy to our customers.

In 1948, conventional techniques made rural electrification too costly for our sparsely populated province. In fact, at the time our company served just 1,500 farms. But we recognized electricity as a fundamental need. Our economy depended on it. So did our way of life.

In response, SaskPower adopted a revolutionary single-wire, ground return distribution system that now serves more than 62,000 farms. Today, all of our customers continue to count on us for the electricity that not only powers our province's agricultural community, but also our businesses and homes.

As we work to secure our energy future, customers will rely on us to make the right choices and demonstrate the ingenuity necessary to enable us to continue delivering on our service promise. Just like rural electrification, the actions we take will affect our customers for generations to come.

It will be up to us to strike a careful balance between sustainability and reliability. Our strategic priorities will guide us through our challenges. And the experience and expertise of our employees will lead us to success.

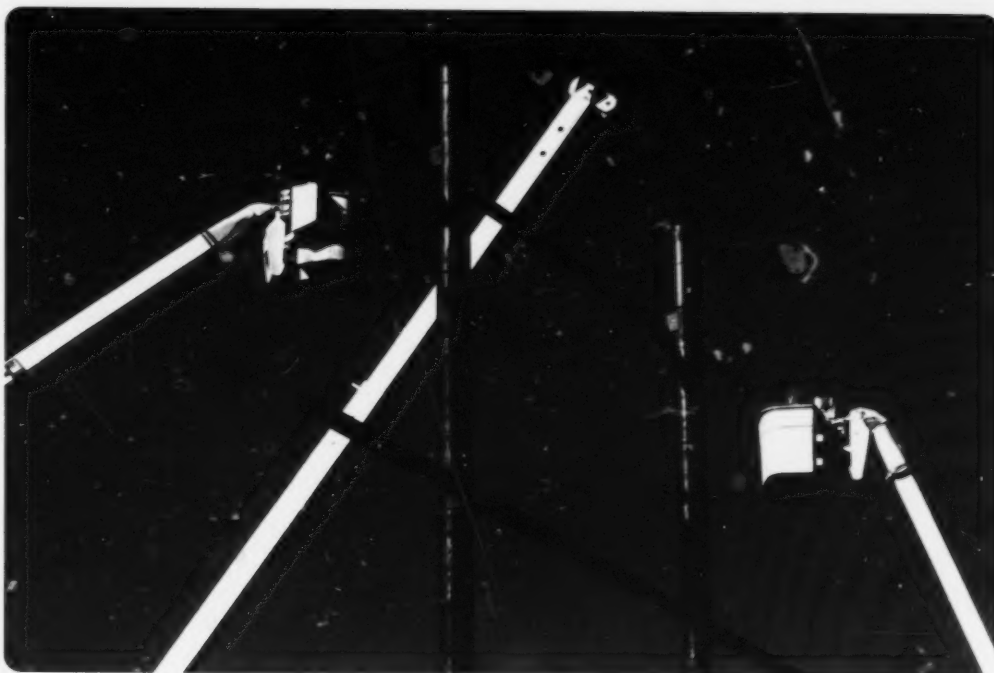
The next generation

During 2009, the global recession reached across Saskatchewan's borders. Sectors of our economy adjusted from the unprecedented growth of the previous few years. However, for the fourth consecutive year SaskPower registered a record for the power required by customers at one time — a peak load of 3,231 megawatts (MW). By 2019, it's estimated that the system peak will increase to 4,318 MW.

Coupled with the urgency around meeting this growing demand for electricity, like most North American utilities the need to revitalize a significant portion of our aging

infrastructure remains at the forefront of our work. As a result of both factors, in the next 20 years SaskPower will have to rebuild, replace or acquire approximately 4,100 MW while also expanding and strengthening a significant portion of our transmission and distribution system.

A comprehensive program of renewal and expansion has already begun. This year, our company made a record capital investment of \$640 million in Saskatchewan's electrical infrastructure. In 2010, we're expecting to invest an additional \$832 million, while over the next decade it's estimated \$8 billion will be required to finance capital requirements.



Approximately 10% of all power generated in Saskatchewan is consumed by losses on the transmission and distribution lines that deliver electricity to our customers. New transmission projects are reducing this effect, lowering the amount of generation required to meet electrical loads.

Provincial dialogue

During the year, the province's Future of Uranium Public Consultation Process led to increasing public interest in Saskatchewan's energy future. As a result, the provincial government called upon the Standing Committee on Crown and Central Agencies to conduct an "inquiry to determine how the province can best meet the growing demand for electricity in a manner that is safe, reliable, environmentally sustainable and affordable for Saskatchewan residents."

In addition to participating in hearings that extended into 2010, SaskPower released, *Powering A Sustainable Energy Future: The Electricity and Conservation Strategy For Meeting Saskatchewan's Needs*. It outlines our company's extensive and ongoing system planning process, as well as discusses the challenges presented by climate change and other environmental issues. It also clearly details how SaskPower is securing our province's short-term needs for the next five years:

- Using customer-focused energy efficiency, conservation and load management programs.
- Installing natural gas turbines that enhance system flexibility, laying the groundwork for the addition of more wind power.

- Encouraging Independent Power Producer development of renewables, such as wind and biomass.
- Pursuing new generation technologies, including the development of one of the world's first and largest integrated carbon capture and storage demonstration projects.
- Undertaking short-term import contracts with neighbouring utilities.
- Upgrading voltages and building new lines to reduce line losses on the transmission system.

The strategy also outlines forecasts for the medium- and long-terms. It presents a broad range of future electricity supply options, along with estimated costs, advantages and disadvantages. Our company sees ongoing stakeholder engagement and public input as central to the successful development and execution of a well-balanced conservation, generation, transmission and distribution strategy.

Less is more

For SaskPower, the lower the demand for power the less we have to produce. And that means there's a reduced impact on the environment and a decreased need to finance infrastructure. That's why Demand Side Management (DSM) — energy efficiency, conservation and altered patterns of electricity use — is such an important part of SaskPower's operational and planning equation.

In 2009, our portfolio of energy efficiency, load management and conservation programs — SaskPower Eneraction — continued to expand. The goal is to assist customers with a cost-effective mix of alternatives for meeting an increasing need for electricity while reducing greenhouse gas (GHG) emissions and improving customer satisfaction. SaskPower Eneraction programs will deliver 100 MW of saved energy to the electrical system by 2017, deferring requirements for new generation.

Growing efficiency

Our company is delivering a variety of programs that are designed to help residential customers reduce electricity consumption. During the year, SaskPower offered an in-store rebate on the purchase of a wireless power monitor. The unit displays total power consumption and cost in real time, helping customers understand how they are using electricity.

In association with 186 participating retailers, instant rebates were also offered on energy efficient lighting products such as dimmer switches, timers, power bars and motion sensors. Use of the products could reduce Saskatchewan's electricity demand by up to 7 MW, which is the amount needed to power about 7,000 homes. SaskPower also continued a widespread education program on energy use and energy efficient practices. It was delivered through workshops and trade shows, as well as online, print and broadcast advertising.

In partnership with SaskEnergy, the ENERGY STAR® Loan Program continues to assist customers in purchasing high efficiency appliances, furnaces, boilers and air conditioners. SaskPower is also providing funding for the provincial Energy Efficiency for New Homes Rebate Program. It supplies incentives to residents who purchase or build a newly

constructed energy efficient home that is either ENERGY STAR®-qualified, R-2000-certified or has an EnerGuide for New Homes rating of 80 or above. Financial incentives were also available to residential and farm customers who install a geothermal or renewable energy system, as well as to businesses for geothermal installations at electrically heated commercial facilities.

SaskPower's new Commercial Lighting Program is making it easier for commercial and industrial customers and non-profit organizations to get more efficient by buying premium efficient fluorescent lighting at standard lighting prices. Lighting-related costs could be lowered by up to 40%, with the program saving between 12-18 million kilowatt hours (kWh) over five years and reducing GHG emissions by nearly 9,000 tonnes.

Our company has also launched a retrofit initiative to assist provincial municipalities in reducing operating costs in ice rinks. Delivered in partnership with the Saskatchewan Research Council, the five-year Municipal Ice Rink Program could reduce power and natural gas costs in a typical artificial ice facility by 15-40%.

The province's Net Metering Program is ongoing, offering a maximum \$35,000 incentive. Customers who generate their own electricity feed excess power back to SaskPower's system. Participants can bank credits for up to one year to offset future electricity use. Only environmentally friendly technologies are eligible. They include wind, solar, low-impact hydroelectric, biomass, flare gas and heat recovery.

Energy Performance Contracting (EPC)

As part of SaskPower Eneraction, in partnership with Honeywell Ltd., our EPC Program assists commercial and institutional customers in reducing energy-related operating costs through audits and efficiency upgrades. In addition to work at SaskPower's own buildings, the EPC Program has been involved in projects at over 130 locations across the province, including schools, commercial buildings, government properties and health facilities. To date, initiatives are realizing combined annual customer savings of more than \$3.3 million and a reduction of electricity use of 25 million kWh each year.

In 2009, Kelsey Trail Health Region signed a \$4.8 million EPC contract with SaskPower to provide efficiency upgrades to 16 health care facilities in the Tisdale area. When complete, each year the region will save over \$411,500 in utility costs by reducing electricity use by nearly 1.7 million kWh and natural gas use by 385,013 cubic meters. Carbon dioxide (CO₂) emissions will be reduced by over 2,200 tonnes annually, nitrogen oxides (NO_x) emissions by 4,334 kg and sulfur dioxide (SO₂) emissions by 8,899 kg — about the same environmental benefits as taking 379 midsize vehicles off Saskatchewan roads.

Meanwhile, during the year Sun Country Health Region signed a \$1.7 million EPC contract that will see efficiency upgrades at 21 health care facilities in the Weyburn area. Once work is complete, the region will save over \$167,000 each year through a reduction in energy use of over 1 million kWh and 118,000 cubic meters of natural gas. There will be annual

emissions reductions of over 1,000 tonnes of CO₂, 2.2 tonnes of NO_x and 6.1 tonnes of SO₂ — equivalent to taking 170 midsize vehicles off Saskatchewan roads.

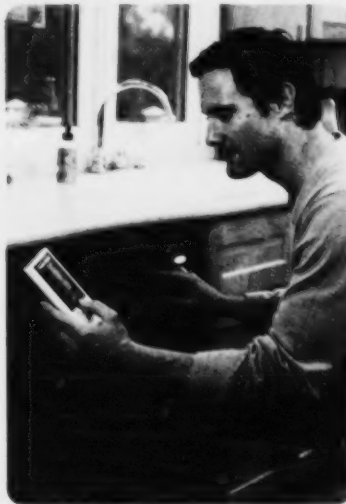
Demand response

Our company's Demand Response Assessment Project concluded in 2009. The study explored various demand response options with 18 of SaskPower's largest customers, determining there is up to 120 MW of potential in Saskatchewan.

With the new Demand Response Program established as a result of this assessment, SaskPower's customers will have the option to provide load reductions when the province is experiencing high demand for electricity, at times of system constraint, or when it provides an economic benefit for SaskPower. Participants are provided financial compensation for shifting their electricity consumption.



Demand Side Management programs are helping defer the need for new generation. SaskPower is targeting 100 MW of saved energy by 2017 through such initiatives as the provincial Energy Efficiency for New Homes Rebate Program.



A SaskPower funded in-store rebate program for the purchase of wireless power monitors is helping customers become more aware of how they are using electricity. The units display total power consumption and cost in real time.

Lighting the way to innovation

As quickly as our operating environment continues to change, so must SaskPower. Historically, we've relied heavily on readily accessible and low-cost coal to generate much of our province's electricity. However, future supply options will have to meet unprecedented regulations associated with air emissions, water and biodiversity.

As a result, as we revitalize our system we'll have to develop and incorporate smarter and cleaner ways of generating electricity. And we'll have to do it in a way that maintains the financial stability of our company while continuing to provide energy that supports our province's quality of life and economic competitiveness.

The emissions challenge

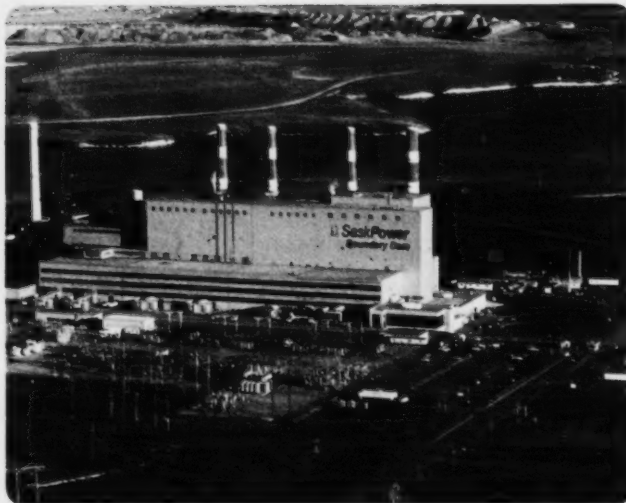
Over 60% of SaskPower's generation capacity is fossil-fuel based, using coal and natural gas. GHGs — primarily CO₂ from coal-fired plants — are a key target of environmental regulation. We also need to achieve significant reductions in SO₂, NO_x, mercury and particulates.

In response, our company is adding more renewable energy — such as wind — to the supply mix and is researching ways to maximize its use. At present, SaskPower is partnering with the Saskatchewan Research Council to investigate renewable energy storage. We're also developing groundbreaking technologies that relate to carbon-based fuels at our own Emission Control Research Facility and other sites.

Capturing an opportunity

SaskPower is leading the potential development of one of the first and largest integrated carbon capture and storage (ICCS) commercial demonstration projects in the world based at Boundary Dam Power Station. This \$1.4 billion partnership between the Government of Canada, the Government of Saskatchewan, SaskPower and private industry would examine the technology's economic, technical, and environmental merits.

ICCS involves the capture of CO₂ emissions from large



SaskPower's Boundary Dam Power Station is the potential base of one of the world's first and largest integrated carbon capture and storage demonstration projects. The initiative would fully retrofit an existing 139 MW coal-fired unit with carbon capture and support an enhanced oil recovery operation.

industrial facilities, such as coal-fired power stations. The CO₂ is transported via pipeline and stored in underground geologic formations. In some cases, value is created for the carbon through use in enhanced oil recovery when the CO₂ is injected to revive production in depleted oilfields.

In 2009, the business case for the Boundary Dam Integrated Carbon Capture and Sequestration Demonstration Project continued to be developed. A request for proposals (RFP) for a steam turbine and generator was issued, with selection taking place in 2010. The steam turbine for the project will be the first in the world designed from the outset to fully integrate a coal-fired power plant with carbon capture. A provider for the carbon capture technology was also selected in early 2010.

Meanwhile, SaskPower has been invited to participate in a feasibility study in conjunction with Crown Investments Corporation of Saskatchewan and the University of Regina. The partners are exploring the possibility of creating a one-of-a-kind ICCS testing facility that will offer a neutral platform. It will have the capacity to allow industry vendors from North America and around the world to demonstrate two or more large-scale carbon capture systems at a time. The project would be fully integrated, involving CO₂ capture, transportation, injection, measurement, monitoring and verification.

Building a dynamic energy future

SaskPower is continuing to reinforce the electrical system in the province through the addition of three simple cycle gas turbine facilities with the capacity to generate 340 MW. Recently commissioned units are located at the Ermine Switching Station near Kerrobert and Queen Elizabeth Power Station in Saskatoon, with another under construction at a location near North Battleford.

As a result of an RFP for between 100 and 200 MW of peaking generation, our company has entered into a 25-year purchase agreement with Northland Power. The company will construct an 86-MW simple cycle gas turbine near Tantallon. The facility is expected to begin providing power to the provincial grid beginning in late 2011.

Following an RFP for between 200 and 400 MW of new intermediate to baseload generation, SaskPower recently announced a 20-year power purchase agreement with Northland Power for 261 MW. The company will begin providing gas-fired generation from a facility located near North Battleford by 2013.

Winds of change

By installing new natural gas generation that can act as a backup, SaskPower has been laying the foundation for the addition of more wind power. Previously, our company reached an agreement with Red Lily Wind Power LP to purchase electricity by 2011 from a 25-MW wind facility that is being developed near Moosomin.

In 2009, our Wind Power Integration and Development Unit completed an investigation into the technical and operational issues associated with adding more wind power within the province. The study concluded that an additional 200 MW of this type of generation could be added with manageable operational impacts and costs.

As a result, SaskPower has launched two new programs that will enable our company to more than double wind power production. Under the Green Options Plan, SaskPower will undertake a competitive process to procure up to 175 MW of

wind power from one or more Independent Power Producers.

The Green Options Partners Program, meanwhile, will see the purchase of up to 50 MW of renewable power from private sector developers, with up to 25 MW of the total coming from wind power. The remainder will be generated through proven clean technologies, such as biomass, heat recovery or low impact hydro.

When the new generation is brought into service, wind will make up about 8.5% of SaskPower's total generating capacity — among the highest percentages in the country. The expansion of wind power will reduce our company's CO₂ emissions by approximately 225,000 tonnes a year.

Generating revitalization

Our company is always seeking to extend the service life of generation assets while maximizing production. As a result, a number of refurbishment projects were active during the year in locations throughout Saskatchewan, including major overhauls at Queen Elizabeth Power Station Unit #2 and Boundary Dam Power Station Unit #2.

Plans are underway for a \$30 million upgrade to Units #7 and #8 at the E.B. Campbell Hydroelectric Station near Nipawin. Work will include the installation of new turbine runners to reduce maintenance and improve the efficiency and operating range of the 42-MW units. The upgrades will allow the station to provide additional energy, eliminating approximately 8,000 tonnes of GHG emissions in an average year by reducing fossil fuel generation. The project is part of an overall hydro facility refurbishment program of approximately \$140 million over five years. Extensive work will also be carried out at Coteau Creek Hydroelectric Station and Island Falls Hydroelectric Station.

During the year, a spillway upgrade continued at Boundary Dam Power Station in order to enable compliance with Canadian Dam Association guidelines. Flow capacity will be three times the original installation. Meanwhile, planning continues for an ash lagoon expansion at Poplar River Power Station. In 2006 and 2008, both generating units at the facility were refurbished, extending their lives for 25 years as well as increasing generating capacity and efficiency. In order to accommodate future volumes of generated ash, additional storage capacity is required in the lagoon.

Extending our reach

In 2009, SaskPower completed transmission connections to 19 industrial customers — a record number for one year. Meanwhile, after nearly three years of route selections, environmental assessments, public consultations and final design and tendering, construction was awarded for the Poplar River to Pasqua 230 Kilovolt (kV) Transmission Line. The 160-kilometre (km) project will be completed in 2010, enhancing system reliability and transfer capability for the capacity increases of the recently-updated generators at Poplar River Power Station.

SaskPower is proposing to build two new transmission connections to service the expansion of the province's oil and gas sector. The first project is a \$5.8 million 230-kV transmission line that could be up to 24 km long and connect a facility near Leibenthal. The second is a \$3.2 million 138-kV transmission line that could be up to 15.6 km long and connect a facility near Stewart Valley. Our company is also proposing to build a 138-kV transmission connection to supply additional power to a potash mine near Vanscoy.

Meanwhile, SaskPower is continuing to work closely with a number of partners to examine the technical, economic and environmental feasibility of constructing a 500 kV high-

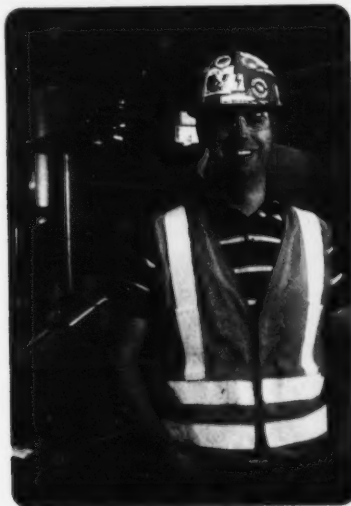
voltage direct current (HVDC) transmission line. It would run across Saskatchewan, from Calgary to Winnipeg.

Rural renewal

Our company's accident statistics indicate that most rural area power line contacts occur in farmyards. As a result, SaskPower has introduced two programs to help reduce risk while also replacing aging infrastructure.

Under the Farmyard Power Line Relocation Program, SaskPower will pay 75% of the cost to bury or relocate overhead power lines in farmyards. Customers are responsible for the remaining 25%, up to a maximum contribution of \$2,000. This initiative was fully subscribed in 2009 and a waiting list was created for 2010.

The Rural Electrical Distribution Program is supporting a long-term strategy to improve the existing distribution system in the province. Overhead lines in fields will be moved and replaced with overhead lines in road allowances. Criteria for this program will be based on the need to replace or upgrade aging infrastructure. To date, our company has completed five pilot projects. They include rebuilding 91 km of power lines, with 892 poles removed from farm fields and the conversion of 24 farm services to underground.



Located near Kerrobert, SaskPower's newly-constructed Ermine Power Station has a capacity of 92 MW from two natural gas-fired units. Gas-fired plants can be constructed quickly and economically, and are helping to reinforce our company's system so that more wind generation can be added.

Developing integrated solutions

SaskPower's Service Delivery Renewal (SDR) Program has a goal of driving advances in customer satisfaction and productivity. SDR is undertaking a multi-year redesign of our company's service delivery model and is facilitating an investment in the necessary supporting technology.

It's expected SDR will implement processes that will achieve a number of objectives, including a 25% improvement in targeted service efficiency; streamlined processes to reduce the number of internal handoffs in customer-related activities such as billing, customer connects and outage responses; and a replacement of outdated technologies in areas like billing and telephony.

In 2009, laptop computers with schedule and dispatch software were placed in field trucks. In addition, planning continued for a number of other SDR-related projects, including the possible installation of Advanced Metering Infrastructure (AMI) units at residences and businesses. AMI units would allow customers the ability to better monitor energy consumption while providing SaskPower the ability to aggregate data and information. This would enable better operation and control of the distribution grid, while enhancing future planning for the entire provincial system.

System security

Saskatchewan is part of the North American electrical network through an interconnection to the Midwest Reliability Organization (MRO) and the Midwest Independent Transmission System Operator (MISO). As a result, SaskPower must meet North American Electric Reliability Corporation (NERC) standards. Failure to comply could impact our company's ability to buy and sell electricity in other jurisdictions.

The standards are in place to ensure high service quality and minimize the risk of a system failure. They require utilities to closely control intertie flows, while maintaining sufficient transmission infrastructure and generating capability to withstand the sudden loss of the largest generators in their fleets.

During the year, SaskPower passed self-certification while also issuing reliability statistics for the distribution and transmission systems. Our company also became compliant with the appropriate NERC standards and had positive results from a

comprehensive audit and report that followed. An integrated unit has been created within SaskPower to manage oversight, coordination and enforcement.

Environmental and safety management

SaskPower's Environmental Screening System (ESS) was built in-house and uses Geographical Information System technology. It's designed to aid in project development through the evaluation of potential environmental impacts and legal requirements. During the year, upgrades to the ESS continued. Archaeological and paleontological site models were added, which allow for an identification of higher risk areas for heritage concerns based on geographic features.

Meanwhile, SaskPower has established a Protocol Agreement with Fisheries and Oceans Canada, Saskatchewan Ministry of Environment and the Saskatchewan Watershed Authority regarding potential fish and fish habitat issues at our facilities — the first of its kind in Canada. Our company continues work on implementing an Action Plan agreed to by all parties. Continuing through 2010, key activities include the development of regulator-approved facility operational procedures and undertaking impact research at E.B. Campbell Hydroelectric Station.

SaskPower is well positioned to meet environmental and safety requirements through two widely recognized standards. Our company-wide ISO 14001-registered Environmental Management System (EMS) provides SaskPower, employees and contractors with the necessary guidance to identify, monitor and manage our impact on air, land and water. Since implementation in 2000, SaskPower has maintained eight ISO 14001 registrations through annual independent EMS audits conducted at facilities across the province.

Our company also maintains a Safety Management System in compliance with the internationally recognized OHSAS 18001 Standard. In addition to internal safety programming that involves ongoing communication and training, SaskPower has varied public education safety initiatives that include presentations and province-wide advertising campaigns.

In 2009, our company experienced the fewest ever lost days due to work-related injuries. During the year, SaskPower also developed the new Contractor Health and Safety Management Program and Policy; Public Safety Policy and Standard; and corporate Health and Wellness Program.

Electrical potential

Everything that SaskPower accomplishes results from the expertise and dedication of our people. Attracting and retaining qualified employees to ensure optimal service remains a priority. It's expected that over 30% of our workforce will retire during the next decade, with over 50% of SaskPower's senior leadership team retiring within five to seven years.

In 2009, a workforce plan was completed and shared through presentations within our company. It includes several key sourcing strategies. Meanwhile, we continue to respond to the feedback received in our most recent employee engagement survey. A new performance management process has been rolled out, with almost 600 employees trained. The first phase of our Career Management Program has also been implemented, with the launching of a website for employees to provide tools for improving resumes and interviewing skills.

Cultural advancement

Our company recognizes that we must become even more reflective of the communities we serve. Our Diversity Strategy outlines the importance of recognizing the skills and contributions of employees from designated groups that include Aboriginal people, people with disabilities, visible minorities and women in under-represented positions.

In 2009, SaskPower was named one of Canada's best diversity employers by a national magazine while also meeting our net increase diversity target by hiring well over 100 permanent employees. Diversity-related events included a conference attended by hiring supervisors, as well as school literacy and supplies programs in North Battleford and Sandy Bay.

Spending power

As one of Saskatchewan's largest companies, we are conscious of the importance of maximizing the benefits of our operations-related spending. As a result, we source as many goods and services from within our province's borders as possible.

In 2009, SaskPower invested over \$1 billion in Saskatchewan through the payment of wages and benefits, purchases from Saskatchewan suppliers, and payments of taxes and royalties. In order to enhance business development — especially in the North — our company regularly partners with regional development agencies to hold information sessions. Existing and potential suppliers are able to learn about SaskPower's procurement requirements, processes and policies.

Public enlightenment

SaskPower is committed to supporting the communities we serve. Our Corporate Contributions Program has an annual operating budget of \$1.5 million, which is directed to a number of areas that include culture, sports and recreation; diversity; environment; and education.

In 2009, SaskPower renewed its 11-year partnership with the Saskatchewan Institute of Applied Science and Technology (SIAST) by funding new lab equipment for the Electrical Engineering Technology Program. Our company also supports educational initiatives with the University of Regina and University of Saskatchewan.

SaskPower's environment-related community support includes a partnership with the Nature Conservancy of Canada (NCC). During the year, we launched the Conservation Volunteers Program in Saskatchewan together. The initiative engages people in conserving biodiversity, while providing an educational experience in ecologically significant natural areas. It also offers work events where volunteers join NCC staff to complete priority conservation work.



Approximately one-third of SaskPower's workforce is expected to retire in the next 10 years. A new workforce plan is helping to identify recruitment strategies while our company is stressing the necessity of passing knowledge and experience from one generation of employees to the next.



The SaskPower Shand Greenhouse was built in 1991 adjacent to the Shand Power Station. In addition to growing and distributing more than 500,000 seedlings annually, the facility offers programs that increase awareness of the relationship between electrical generation and the environment.

Throughout the summer and fall, once again the SaskPower Clean Team operated across Saskatchewan. An ongoing partnership between SaskPower and the Saskatchewan Association of Agricultural Societies and Exhibitions (SAASE), the program involves youth groups and rural communities working together to reduce waste and collect recyclables at local exhibitions and events. During 2009, the SaskPower Clean Team expanded its reach to 27 communities, with 33 youth groups participating to collect 35,371 bags of trash and 6,402 bags of recyclables. Other SaskPower-related environmental support includes funding for the Saskatchewan Prairie Conservation Action Plan, Ducks Unlimited Canada and the Saskatchewan Environmental Society's Destination Conservation Program.

Safety also remains a priority, with SaskPower continuing support of the Saskatchewan Safety Council by providing funding for the delivery of the Power Pac Program. It uses youth trained by the Saskatchewan Safety Council to deliver safety presentations to rural and urban schools. SaskPower has participated in the program since its inception in 1999, helping to reach children and youth with important safety messages.

Planting the seed

The SaskPower Shand Greenhouse operates using waste heat from the Shand Power Station. Each year it grows trees, shrubs and forbs for use in conservation, shelter and land reclamation planting projects across the province. In 2009, the facility distributed 545,128 seedlings to bring the cumulative total since 1991 to 6.3 million.

The SaskPower Shand Greenhouse also champions environmental education. Programming includes the Energy & Our Environment Poster Contest. It encourages elementary school students to create posters with environmental themes that demonstrate how we all can incorporate responsible choices into our daily lives and take action in response to climate change. Meanwhile, the Energy and Our Environment ecoClips Video Challenge challenges senior high school students to explore environmental, social and political issues related to energy production and consumption by making a short video.

Corporate governance

Accountability is a principal component of SaskPower's corporate values and is essential in our relationship with our customers, stakeholders and shareholder. In order to ensure the continuing presence of a sound corporate governance structure, our company remains committed to ongoing evaluation. Our aim is to strengthen transparency while executing a comprehensive program of reporting.

Company structure

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and provincial cabinet. Through its chair, who is an outside director, the SaskPower Board of Directors is accountable to the minister responsible for Saskatchewan Power Corporation. The minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The minister responsible for SaskPower and the corporation's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

Governing our company

The Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for SaskPower. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risks and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns.

All of SaskPower's Board Members are independent of management, including the chair. The expectations and responsibilities of directors are outlined in terms of reference. Board Members receive a comprehensive orientation and continuing education. In addition to being subject to SaskPower's Code of Conduct Policy, Board Members are also bound by the CIC Directors' Code of Conduct. Peer evaluations are completed annually.

Director	Meetings attended ²
Joel Teal, chair	8
Bill Wheatley, vice-chair	7
Tammy Cook-Searson ¹	7
Judy Harwood	8
Nick Kaufman	8
Bryan Leverick	5
Al Macatavish ¹	8
Mick MacBean	8
Grant McGrath	75

1. Appointments for these directors expired on February 5, 2009, with both re-appointed February 13, 2009.
2. There were a total of eight meetings held in 2009.

Leadership by committee

During the year, the Board gave significant consideration to the strategic direction of SaskPower. Board highlights also included the review of numerous operational, financial, environmental, human resource and governance items. The Board also continues to adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public.

Our company's Board has standing committees to assist in discharging specific areas of responsibility. In 2009, the Board had three standing committees:

Audit and Finance Committee

Seven meetings

Chair: Mick MacBean

Members: Bryan Leverick, Grant McGrath and Bill Wheatley

The Audit and Finance Committee's terms of reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of SaskPower and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with our company's overall strategic planning and public policy objectives.

During 2009, the committee reviewed annual and interim financial statements, regular risk reporting packages, Corporate Balanced Scorecard reporting, the 2010 Business Plan, as well as the Deloitte & Touche and Provincial Auditor 2008 audit summaries. The committee approved the work plan for the Internal Audit Department and monitored quarterly reporting on irregularities. Although there were no material irregularities in 2009, quarterly reporting enhances and underscores ongoing vigilance in this area.

The committee is also responsible for reviewing proposed capital and operating, maintenance and administration projects that are material from a risk or value perspective prior to referral to the Board. In 2009, the committee assessed several significant projects, ensuring that they were aligned with the strategic direction of our company. These included the construction of new generation facilities owned by SaskPower, as well as the procurement of new generation from Independent Power Producers.

Environment, Occupational Health and Safety Committee

Four meetings

Chair: Grant McGrath

Members: Tammy Cook-Searson, Judy Harwood, Nick Kaufman and Mick MacBean

The Environment, Occupational Health and Safety Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements.

During the year, highlights included monitoring compliance with mining reclamation and contaminated sites remediation plans, reviewing environmental management system and facility audits, as well as tracking changes to federal environmental legislation.

The committee also reviewed the safety component of SaskPower's Strategic Plan, assessed progress on the implementation of SaskPower's Safety Management System and monitored incident reporting.

Governance/Human Resources Committee

Four meetings

Chair: Bryan Leverick

Members: Judy Harwood, Nick Kaufman, Al Macatavish and Bill Wheatley

The Governance/Human Resources Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. The committee's governance-related duties include serving as ethics advisor for the Board, monitoring and evaluating overall Board performance on a bi-annual basis, providing guidance on governance issues to directors, and recommending governance issues for discussion by the Board or committees.

In 2009, at the request of the Board, SaskPower engaged external consultants to review SaskPower's governance policies and practices. The consultants identified a number of areas for improvement, including increased clarity in delegation of responsibility to management and the formation of a dedicated corporate governance office within the Corporation. More work in this area is expected in 2010.

The Governance/Human Resources Committee is also charged with overseeing SaskPower's human resource strategies, programs and practices. Initiatives during the year focused on performance management initiatives and corporate job evaluation.

Assessing our governance performance

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards. As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices.

Our company's practices are substantially consistent with CSA standards, as set out in the following scorecard:

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Composition of the Board		
3.1 The Board should have a majority of independent directors.	The Board is comprised of nine independent directors.	Yes
3.2 The chair of the Board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.	The chair of the Board is an independent director.	Yes
Meetings of independent directors		
3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	All members are independent. The Board typically has at least one in camera session without management at every meeting.	Yes
Board mandate		
3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	The Board has a written mandate in its terms of reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the corporation as well as communicating the following:	Yes
(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;	The terms of reference for a director state that directors shall require "of themselves and corporate employees high standards of ethical behaviour..." The president and CEO mandate also places accountability on that position for ensuring activities and practices of the corporation are ethical and compliant with the law.	Yes

CSA national policy 58-201 Part 3 – Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The Board, working with the Executive, provides strategic direction to SaskPower as a corporation. Formally, this is accomplished with the annual approval of the Strategic Plan. Development of the Strategic Plan is a continuous improvement process with further progress expected in 2010.	Yes
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the corporation on an annual basis. Either directly or through the Audit and Finance Committee, the Board monitors the corporation's risk management programs. It also oversees the implementation of risk-management systems. The Audit and Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	Yes
(d) succession planning (including appointing, training and monitoring senior management);	The Board terms of reference state that the Board is responsible for succession planning.	Yes
(e) adopting a communication policy for the issuer;	Pursuant to the Board terms of reference, the Board adopts policies and processes to enable effective communication with Crown Investments Corporation of Saskatchewan (CIC), stakeholders and the public.	Yes
(f) the issuer's internal control and management information systems; and	The Board has approved an internal control program. SaskPower has documented and evaluated the design of the corporation's internal controls over financial reporting, including the adequacy of its information systems. The corporation has developed a testing program to regularly evaluate the effectiveness of these controls. SaskPower's CEO and CFO annually certify that our company has developed an appropriate set of internal controls over financial reporting and that the controls are working effectively.	Yes
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer. ¹	The Governance/Human Resources Committee is responsible for and reports to the Board on corporate governance matters. The committee also functions as the ethics advisor for the Board.	Yes
The written mandate of the Board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent directors), and	The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board has adopted a whistle blower policy.	Yes
(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Expectations and responsibilities of directors, including participation in and preparation for meetings, are outlined in the terms of reference for a director.	Yes

1. Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent directors, with the remaining members being "non-management" directors.

CSA national policy 58-201 Part 3 – Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
Position descriptions 3.5 The Board should develop clear position descriptions for the chair of the Board and the chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	In 2008, the Governance/Human Resources Committee reviewed terms of reference for the board chair as well as committee chairs. These have been approved by the Board. The Board has also adopted a president and CEO mandate.	Yes
Orientation and continuing education 3.6 The Board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	The Governance/Human Resources Committee terms of reference state that it shall recommend a director orientation and continuing education policy. New directors receive a comprehensive orientation to corporate issues and processes. Comprehensive briefing binders are also provided to new members covering key aspects of the corporation's business. The expectations of individual directors are set out in the terms of reference for a director approved by the Board. These expectations include attendance at meetings, participation in Board and committee work, and advance preparation for each meeting.	Yes
3.7 The Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	In 2009, SaskPower Board Members had the opportunity to attend The Director's College. Sponsored by CIC, this modular program focuses on the highest calibre governance practices, including technical and behavioural aspects of board governance. Directors who complete all five modules of the program, which continues in 2010, are eligible to write a final examination and receive certification as a chartered corporate director. In addition, the corporation provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.	Yes
Code of Business Conduct and Ethics 3.8 The Board should adopt a written Code of Business Conduct and Ethics (a Code). The Code should be applicable to directors, officers and employees of the issuer. The Code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	SaskPower has a written Code of Conduct Policy applicable to directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to annually review and, as required, revise the Code. The Board has further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented to keep the Board informed of compliance issues.	Yes
(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;	The Code addresses conflict of interest. In 2008, the committee reviewed the Board's process for identifying and managing director conflicts of interests. In 2009, the Board considered recommendations for updating these processes. In addition, Board Members complete and file an annual conflict of interest declaration with the office of the general counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board Members are also bound by the CIC Directors' Code of Conduct.	Yes
(b) protection and proper use of assets and opportunities;	Property and inventions are covered in the Code as well as the appropriate use of business assets.	Yes
(c) confidentiality of corporate information;	Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.	Yes

CSA national policy 58-201 Part 3 – Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Fair dealing is covered in the General Conduct Principles section of the Code as follows: "SaskPower expects personnel to conduct themselves... in a manner that is and is perceived to be fair and evenhanded, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and related policies. The public is entitled to expect and receive... fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property"	Yes
(e) compliance with laws, rules and regulations; and	The Code requires directors, officers and employees to comply with applicable laws and related policies.	Yes
(f) reporting of any illegal or unethical behaviour.	The Policy on Irregularities Reporting, which is appended to the Code, places an onus on employees to report suspected illegal or unethical behaviour.	Yes
<p>3.9 The Board should be responsible for monitoring compliance with the Code. Any waivers from the Code that are granted for the benefit of the issuer's directors or executive officers should be granted by the Board (or a Board committee) only.</p> <p>Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the Code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the Code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things:</p> <ul style="list-style-type: none"> • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the Board has or has not sanctioned the departure(s), and • any measures the Board has taken to address or remedy the departure(s). 	<p>The Governance/Human Resources Committee's terms of reference state that it shall monitor and report annually to the Board concerning compliance with the "Director's Code of Conduct" and to "review and report to the Board on conflict of interest matters involving directors."</p> <p>There were no waivers granted in 2009 with respect to Code compliance by directors, officers or employees.</p>	Yes
<p>Nomination of directors</p> <p>3.10 The Board should appoint a Nominating Committee</p>	The mandate of the Governance/Human Resources Committee as stated in its terms of reference includes reviewing and recommending qualified potential candidates for the Board. The names of recommended candidates are submitted by the Board to CIC as shareholder. The appointment and removal of directors is ultimately the prerogative of the Lieutenant Governor in Council, as established by statute.	Substantial compliance
<p>3.11 The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the Board. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent Nominating Committee.</p>	The Board has a written charter in its terms of reference which includes all terms referred to in the CSA guideline, except authority to delegate to individual members and subcommittees and authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. The Board terms of reference do state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.	Substantial compliance

CSA national policy 58-201 Part 3 – Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
<p>3.12 Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:</p> <p>(a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.</p>	<p>A skills and competency evaluation has been the foundation of the recruitment process in filling vacancies. The Governance/Human Resources Committee regularly reviews the composition and skill sets of the directors. A gap analysis is done with a view to identifying candidates with the required additional skill sets.</p>	<p>Yes</p>
<p>(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.</p>	<p>The Governance/Human Resources Committee, with assistance from the corporate secretary, maintains and updates a skills matrix of existing members. As needed, it conducts a gap analysis to identify skills required for future appointments to round out the Board's overall skill set.</p>	<p>Yes</p>
<p>The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.</p>	<p>The terms of reference for the Governance/Human Resources Committee state that it shall recommend the size of the Board.</p>	<p>Yes</p>
<p>3.13 The Nominating Committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders.</p>	<p>Responsibility for recruitment and nomination of new Board Members is assigned to the Governance/Human Resources Committee in its terms of reference.</p>	<p>Yes</p>
<p>3.14 In making its recommendations, the Nominating Committee should consider:</p> <p>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</p> <p>(b) the competencies and skills that the Board considers each existing director to possess; and</p>	<p>The terms of reference for the Governance/Human Resources Committee require the Committee to, "Recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the corporation."</p>	<p>Yes</p>
<p>(c) the competencies and skills each new nominee will bring to the boardroom.</p> <p>The Nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board Member.</p>	<p>A review of skills and competencies is the basis for determining the skill sets needed in filling a vacancy. The Governance/Human Resources Committee ensures that potential nominees understand the requirements of the position and have sufficient time and resources to devote to their duties.</p>	<p>Yes</p>
<p>Compensation</p> <p>3.15 The Board should appoint a Compensation Committee composed entirely of independent directors.</p>	<p>All members of the Governance/Human Resources Committee are independent directors.</p>	<p>Yes</p>

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The terms of reference for the Governance/Human Resources Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which is established by statute). The Board terms of reference state that any committee can obtain the advice and counsel of external advisors. However, the terms state the Board, rather than the committee, shall determine the advisability of engaging external advisors.	Substantial compliance
3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;	The Governance/Human Resources Committee's terms of reference state that the CEO's review is based upon agreed-upon objectives, updated each year. While CEO compensation was not addressed specifically, the committee had the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation are set by its shareholder, CIC.	Yes
(b) making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and	The Governance/Human Resources Committee has the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. The committee is also responsible for recommending director compensation to the Board. CIC, as shareholder, sets director remuneration.	Yes
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	The compensation of executive members and all employees earning more than \$50,000 per year is annually disclosed to the Standing Committee on Crown and Central Agencies of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the president and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to <i>The Crown Employment Contracts Act</i> .	Not applicable
Regular Board assessments 3.18 The Board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	The Governance/Human Resources Committee coordinates the assessment process with the assistance of an external service provider. A peer assessment is conducted on an annual basis. A chair assessment is done in alternating years.	Yes
(a) in the case of the Board or a Board committee, its mandate or charter, and	Board and Board committee performance evaluations are conducted on a 2-year cycle, per CIC guidelines.	Yes
(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the Board.	Peer evaluations are completed annually.	Yes

Board of Directors

As at December 31, 2009

Full biographies are available at saskpower.com.



Joel Teal

Chair

Saskatoon, Saskatchewan

Joel Teal is the president of Dundee Developments/Homes by Dundee, where he has worked since 1996. Dundee has operations located in Calgary, Edmonton, High River, Regina and Saskatoon. Prior to this, Mr. Teal was the president and CEO of Preston Developments. In addition to his role with SaskPower, he is currently a Board Member for the Canada Mortgage & Housing Corporation and Saskatchewan Blue Cross. Mr. Teal has been recognized with the Saskatchewan Centennial Medal for Volunteerism and the Canada Medal of Bravery.



Bill Wheatley

Vice-chair

Regina, Saskatchewan

Bill Wheatley is managing director and general counsel at Greystone Managed Investments Inc., a local firm with more than \$32 billion in assets under management and clients across Canada. He has headed the Greystone real estate investment team, managed the firm's operations and developed a compliance department. Mr. Wheatley graduated with a Bachelor of Commerce from the University of Saskatchewan. He then entered the institution's Law School and was called to the bar in 1973.



Tammy Cook-Searson

La Ronge, Saskatchewan

Chief Tammy Cook-Searson is the first woman to lead the Lac La Ronge Indian Band, one of the largest and most progressive First Nations bands in Canada. In 2008, she began her second consecutive three-year term as chief. Prior to her present role, she served as a social worker and an elected band councillor for eight years. As an entrepreneur, Chief Cook-Searson has owned and operated a marina since 1993. In recognition of her community service, she was honored with the Saskatchewan Centennial Medal and the Queen's Golden Jubilee Medal.



Judy Harwood

Saskatoon, Saskatchewan

Judy Harwood is the general manager of the Park Town Hotel in Saskatoon — a 172-room full-service property situated on the South Saskatchewan River. She holds a certificate from Cornell University in Essentials of Hospitality Management along with her Certified Hotel Administrator (CHA) designation. Currently, Ms. Harwood is the co-chair of the Saskatoon District Planning Commission and Board Member of the Tourism Sector for Enterprise Saskatchewan. She has been recognized with the Queen's Golden Jubilee Medal for outstanding community service.



Nicholas Kaufman

Regina, Saskatchewan

Nicholas Kaufman is an associate of counsel at McCrank Stewart Johnson Barristers and Solicitors in Regina. Mr. Kaufman was appointed to Queen's Counsel in 1985. He was the vice-president of law at SaskPower from 1989 to 1991. Mr. Kaufman has also held the positions of partner and senior counsel at Rendek McCrank Barristers and Solicitors and associate at Balfour Moss. He studied at the University of Saskatchewan where he earned a Bachelor of Arts and Bachelor of Laws (cum laude).



Bryan Leverick

Saskatoon, Saskatchewan

Bryan Leverick is the president of Saskatchewan-based Alliance Energy Ltd. and has been with the company since 1974. Mr. Leverick serves on the Electrical Trade Advisory Board and the Electrical Curriculum Committee. He is also a member of the Board of the Canadian Electrical Contractors as past chairman and a Board Member of the Saskatoon Regional Economic Development Authority. In 2003, he was honoured with the Distinguished Service Award by the Saskatchewan Construction Association (SCA). Mr. Leverick received the SCA Person of the Year Award in 2006.

Board of Directors

As at December 31, 2009

Full biographies are available at saskpower.com.



Al Macatavish
Winnipeg, Manitoba

Prior to his retirement in 2000, Al Macatavish was vice-president of Transmission and Distribution at Manitoba Hydro. He has been a member of the SaskPower Board of Directors since 2001. Mr. Macatavish is a member of the Advisory Board of the Institute of Technology Centre for the Province of Manitoba and for the High Voltage Direct Current Research Centre. Mr. Macatavish was the first recipient of the Canadian Curling Association's Executive of the Year award. He was inducted into the Manitoba Curling Hall of Fame in 2004 and the Manitoba Golf Hall of Fame in 2006. Mr. Macatavish holds a Bachelor of Science in Engineering and an MBA from the University of Manitoba.



Mick MacBean
Swift Current, Saskatchewan

Mick MacBean is the founder, CEO, and director of Diamond Energy Services. The business is headquartered in Swift Current, from where it directs the operation of rigs and coiled tubing units in Saskatchewan and Alberta. Mr. MacBean sits on the Alternative Energy Advisory Committee for the City of Swift Current and is the director and chair of the Audit Committee for Peyto Energy Trust, a large natural gas producer. He earned a Bachelor of Commerce from the University of Saskatchewan and is a chartered accountant and chartered director. He was recognized with the Gilbert Bennett Outstanding Graduating Director award by McMaster University, DeGroote School of Business.



Grant McGrath
Rosetown, Saskatchewan

Grant McGrath is the president and general manager of Western Sales Ltd. He joined the company as a salesman, became sales manager and subsequently took an equity position in the company. In 2000, Mr. McGrath acquired majority ownership of the \$50-million business, which now has retail locations in Biggar, Central Butte, Davidson, Elrose and Outlook. He is currently the director of Prairie West Terminal Ltd., a public company with diversified interests in the food and feed business. It is also one of Saskatchewan's top 100 companies.

Secretary to the Board of Directors

- Gina DeVeaux

2010 appointments to the Board of Directors

- Ian Coutts, Kindersley
- Mitchell (Mitch) Holash, Prince Albert
- Lorne Mysko, Saskatoon

Compensation

Under the authority of *The Crown Corporations Act, 1993*, SaskPower's shareholder, CIC, directs the compensation received by directors. In addition to reimbursement for reasonable expenses incurred while performing their duties (including related travel, meal and accommodation costs), directors receive an annual retainer and meeting fees for service:

- The Board chair receives an annual retainer of \$15,000 and a \$900 meeting fee.
- The vice-chair and other Board Members receive an annual retainer of \$10,000 and a \$700 meeting fee.
- Committee chairs receive an \$800 committee chair meeting fee.

Executive team

As at December 31, 2009, unless otherwise noted

Full biographies are available at saskpower.com.



Garner Mitchell

*Acting president and CEO (effective January 5, 2010)
SaskPower*

A registered professional engineer in Saskatchewan, Garner Mitchell has held various positions throughout his 40-year career with SaskPower. He served as vice-president, Project Development and Operations, with SaskPower International before being appointed to vice-president, Power Production, in 2001. Mr. Mitchell has had both business and management responsibilities, spanning maintenance, construction, engineering and power station operations. He graduated in 1973 from the University of Saskatchewan with a Bachelor of Science in Mechanical Engineering.



Pat Youzwa

*President and CEO (through January 4, 2010)
SaskPower*

Pat Youzwa joined SaskPower in 1999 and held a number of executive positions before becoming president and CEO in 2004. Prior to joining our company, Ms. Youzwa held a number of positions with the public service of the Government of Saskatchewan, including deputy minister of Economic Development and deputy minister of Energy and Mines. With a Bachelor of Arts with Honours in economics and a Master of Arts in economics, she has also run a business consulting company.



Philip H. Davies

*Vice-president, general counsel and assistant secretary
Legal, Land and Regulatory Affairs*

Prior to his role with SaskPower, Philip H. Davies was principal at Philip H. Davies Professional Corporation, specializing as a legal and business consultant in the acquisition, development and operation of energy infrastructure in Canada and the U.S. He served as vice-president, general counsel and corporate secretary of Niska Gas Storage and vice-president, general counsel and corporate secretary of EnCana Gas Storage Inc. Mr. Davies graduated from the Faculty of Law at the University of Alberta in 1978 and in 1998 completed the executive development program at the Richard Ivey School of Business.



Kevin Doherty

*Vice-president
Corporate Relations*

Before joining SaskPower, Kevin Doherty was in a senior management role as division director with Investors Group. He also spent six years with Bayer Healthcare, serving as area sales manager and director of Professional and Government Relations. Mr. Doherty worked with GlaxoWellcome as manager of Provincial Relations and served the Saskatchewan provincial government as both chief of staff to the Minister of Finance and chief of staff to the Minister of Education. Mr. Doherty received a Bachelor of Arts from the University of Saskatchewan in 1985.



Sandeep Kalra

*Vice-president and chief financial officer
Finance and Enterprise Risk Management*

Sandeep Kalra joined SaskPower after eight years in various positions with Finning International, the world's largest Caterpillar distributor. His most recent role was as vice-president and corporate treasurer at the company's head office in Vancouver. Prior to his work with Finning, Mr. Kalra held financial positions with Hertz Corporation, PepsiCo, Deloitte and Samtel India. He is a chartered accountant through both the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of India. Mr. Kalra holds a Bachelor of Commerce with honours from Delhi University and an MBA from the Stern School of Business.



Tom Kindred

*Vice-president and chief information officer
Corporate Information and Technology*

Prior to his role with SaskPower, Tom Kindred was site executive and senior vice-president of Innovation and Client Enhanced Services for MBNA Canada Bank/Bank of America. He spent over 10 years with CUETS Financial as the executive vice-president and CIO and 12 years in strategic and engineering positions at SaskTel. Mr. Kindred completed the Executive Advanced Management Program at Harvard Business School and has a Master of Science in Electrical Engineering and a Bachelor of Applied Science in Electronic Information Systems Engineering.

Executive team

As at December 31, 2009, unless otherwise noted

Full biographies are available at saskpower.com.



John Lebersback

*Acting vice-president (effective January 1, 2010)
Power Production*

Before moving into his current role, John Lebersback served as chief engineer, Engineering Services and manager, Operations Support. He also served in several engineering and project management positions, working on thermal, hydro and wind generation projects. Mr. Lebersback graduated in 1974 with a Bachelor of Science in Electrical Engineering from the University of Saskatchewan. In 1989, he earned a diploma in Business Administration from the University of Regina.



Mike Marsh

*Vice-president
Transmission and Distribution*

Mike Marsh was appointed vice-president of Transmission and Distribution in 2007. He previously held the position of manager, Business and Financial Planning, as well as supervisory roles in engineering and maintenance with Power Production. Prior to joining SaskPower, Mr. Marsh was employed in the construction industry in Alberta and Saskatchewan. He holds a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan, as well as an MBA from Queen's School of Business.



Judith A. May

*Vice-president
Customer Services*

Since joining SaskPower in 1981, Judy May has served as the manager of Call Centres and Collections, as well as a series of positions within Customer Services. Holding a Bachelor of Administration from the University of Regina, Ms. May has acted as chair of the Canadian Electricity Association Customer Council.



Michael Monea

*Vice-president
Integrated Carbon Capture & Sequestration Project*

Michael Monea was appointed in 2008. He holds professional engineer and geoscientist designations, as well as a Bachelor of Science from the University of Regina. Prior to his role with SaskPower, Mr. Monea was senior vice-president with Canada Capital Energy Corporation. He served as executive director of the Petroleum Technology Research Centre at the University of Regina and has held a number of other executive and technical positions in the oil and gas sector.



Grant Ring

*President and CEO
NorthPoint Energy Solutions*

Grant Ring is a certified management accountant and holds an MBA from Queen's University. Before heading SaskPower subsidiary NorthPoint Energy Solutions, within our company he held the positions of acting vice-president and chief financial officer, corporate and financial services, as well as treasurer, financial services. Prior to joining our company, Mr. Ring was employed in various accounting positions in private sector manufacturing and construction.



Gary Wilkinson

*Vice-president
Planning Environment & Regulatory Affairs*

Prior to his current appointment, Gary Wilkinson was involved in the creation and set-up of SaskPower subsidiary NorthPoint Energy Solutions and served as its president and chief executive officer. He has also held a variety of positions in other areas of our company since 1973. This includes work in system operations, decision support, bulk power management, high voltage transmission, generation, and communications and control planning. Mr. Wilkinson graduated with a Bachelor of Science in Electrical Engineering (Great Distinction) from the University of Saskatchewan.

Compensation

CIC has established a framework for executive compensation, and SaskPower's Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning executive compensation issues to the Governance/Human Resources Committee. Executive performance is assessed annually against corporate and individual objectives that are aligned with our company's Strategic Plan. The mandate for executive compensation for Saskatchewan Crown corporations is established and monitored by the shareholder, CIC.

Direct reports of SaskPower's president & CEO, including all Executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days of occurrence. In addition, the Crown and Central Agencies Committee of the Legislative Assembly of Saskatchewan requires Crown corporations, including SaskPower, to file an annual payee list that includes the total compensation of Executive members.

Salary ranges for SaskPower's executive team, as of December 31, 2009, are:

- President and CEO: \$233,652 to \$292,065.
- Vice-president: \$168,813 to \$248,254.

Management's discussion & analysis

February 08, 2010

The following is a discussion of the consolidated financial condition and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2009. It should be read in conjunction with the audited financial statements and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

This management's discussion and analysis (MD&A) contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Introduction

Core business

SaskPower is a vertically integrated electric utility dedicated to providing generation, transmission, distribution and retail services to more than 467,000 customers in Saskatchewan. Over 2,600 permanent full-time employees are employed in three business units, eight corporate groups and two wholly-owned subsidiaries — NorthPoint Energy Solutions and SaskPower Shand Greenhouse.

Our company manages more than \$4.9 billion in assets to generate and supply electricity to our customers. The Corporation relies on a generating fleet that uses a wide range of fuels including coal, hydro, gas and wind. This diversity of sources provides a hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel.

Our operating structure

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). The Act has had a number of modifications over its lifetime. However, SaskPower's mission — to deliver power in a safe, reliable and sustainable manner — has not fundamentally changed.

The Act grants SaskPower the exclusive franchise and obligation within the province (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as to provide retail services to customers. The reseller class of customer is restricted to two cities that retained their municipal franchise — the City of Swift Current and the City of Saskatoon.

Our company's vision, mission and values flow from the Act and SaskPower's relationship with its parent company, Crown Investments Corporation of Saskatchewan (CIC). We support the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne, or with formal policy statements.

The president and chief executive officer of SaskPower reports to a Board of Directors appointed by the Lieutenant Governor in Council pursuant to the Act. Through the chair, our company's Board of Directors is accountable to the minister responsible for Saskatchewan Power Corporation. The minister functions as a link between SaskPower and cabinet, as well as the provincial legislature.

Our capability to deliver results

Generation

To ensure reliability of service, SaskPower maintains a generating capacity greater than the province's peak demand. The Corporation's available generation capacity is 3,840 megawatts (MW). This includes 3,371 MW available from our company's own assets — three coal-fired stations, seven hydro stations, five natural gas stations and two wind generation facilities.

SaskPower also has an available generation capacity of 469 MW through long-term power purchase agreements with the following facilities: the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the SunBridge Wind Power Project near Swift Current; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects.

This total available generating capacity is above the Corporation's record system peak load of 3,231 MW, which was set in December 2009.

SaskPower's excess generating capacity — the difference between total available generating capacity and load — provides the Corporation with the ability to carry out annual maintenance programs without compromising reserve capacity requirements. SaskPower will also take advantage of excess capacity throughout the year to make export sales when it can earn an appropriate margin while operating within an acceptable level of risk.

Transmission & distribution

Our company maintains 157,573 km of power lines (12,404 km transmission and 145,169 km distribution) in Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns or large industrial or commercial customers. Distribution lines are lower voltage lines (under 25,000 volts) that take electricity in smaller quantities to residential users and smaller commercial consumers. The challenge of managing the system is considerable because of the large geographic size of the province, location of various sources of generation, and a dispersed and relatively small population.

Interconnections to other jurisdictions

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or take advantage of export market opportunities.

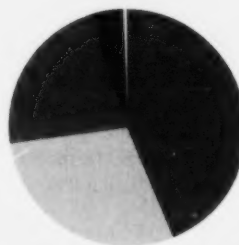
Under normal system conditions, the import capability is 275 MW from Manitoba, 75 MW from Alberta and 150 MW from North Dakota. The export capability is 150 MW to Manitoba, 153 MW to Alberta and 125 MW to North Dakota. However, both imports and exports from Manitoba and North Dakota are interdependent and the capabilities cannot be achieved simultaneously.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the open access transmission tariff (OATT), SaskPower is required to compete with other suppliers for access to these interconnections. The OATT enables competitors to schedule access to our company's transmission system, allowing them to wheel power through Saskatchewan or sell to SaskPower's wholesale (reseller) customers.

Economic benefits for our province

In 2009, over \$1 billion flowed from SaskPower into the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; the payment of wages and benefits to employees; the purchase of coal; and the acquisition of electricity from Independent Power Producers.

Our company's contributions also included \$18 million in grants-in-lieu of taxes payable to local governments, as well as approximately \$53 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. In addition, we collected \$45 million in municipal surcharges for redistribution to 403 cities, towns and villages.



2009 AVAILABLE GENERATION CAPACITY – 3,840 MW

■ COAL 44%	■ WIND 4%
■ GAS 29%	■ OTHER 1%
■ HYDRO 22%	

SaskPower uses a diversified portfolio of assets to meet its generation requirements.

Rate review process

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (the Panel) with final approval by cabinet.

In January 2009, the Corporation submitted a rate application to the Panel requesting a 13.0% system-wide average rate increase effective May 1, 2009. In April of 2009, the Panel completed its review of SaskPower's application and recommended that cabinet approve an 8.5% system-wide rate increase, 4.5% lower than SaskPower's initial request. Cabinet accepted the Panel's recommendation and approved the rate increase effective June 1, 2009. SaskPower's previous rate increase was 4.3%, which became effective on February 1, 2007.

In February 2010, SaskPower submitted a new rate application to the Panel requesting a system-wide average rate increase of 7% effective August 1, 2010. If approved, the rate increase is expected to provide SaskPower with approximately \$46 million in additional revenues in 2010.

Infrastructure renewal and expansion

SaskPower's infrastructure objective is to create and maintain a sustainable energy supply — one that balances economic, environmental and social requirements. Comprehensive and ongoing system planning is a critical foundation for not only the ongoing success of our company, but also the future prosperity of Saskatchewan.

There are two primary factors that are creating a requirement for new electricity generation supply sources.

1. The need to retire or life-extend select generating units.
2. Growing demand for electricity in Saskatchewan.

The current projected supply need means SaskPower will have to rebuild, replace or acquire approximately 4,100 MW of generating capacity from 2009 to 2030. As a result, meeting customer requirements will call for significant new generation and transmission infrastructure.

In October 2009, the Corporation released a document entitled, *Powering a Sustainable Energy Future — The Electricity and Conservation Strategy For Meeting Saskatchewan's Needs*. It outlines a comprehensive plan to address SaskPower's infrastructure needs while discussing the need to address climate change and other environmental issues. The planning is broken into three periods:

- 2009-2014 — supply requirement of 1,091 MW.
- 2015-2022 — supply requirement of 1,017 MW.
- 2023-2030 — supply requirement of 1,985 MW.

The Corporation's short-term energy needs will be met through a combination of the installation of new natural gas turbines; encouraging Independent Power Producer development of renewables; pursuing new generation technologies; upgrading voltages and building new transmission lines; and using customer energy efficiency programs.

In the longer-term, planning will have to take into consideration a variety of unavoidable constraints. In particular, all future supply options will have to meet stringent federal environmental regulations associated with air emissions, water and biodiversity. Addressing these regulatory requirements will come at a cost that will affect future electricity rates.

Key performance drivers and targets

A strategy for building a leading utility

At the heart of the SaskPower Strategic Plan is our company's long-term vision: People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Our seven strategic priorities that will assist us in achieving SaskPower's vision over the next five to 10 years are:

1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Informed and engaged stakeholders.
4. Dependable and secure infrastructure.
5. Efficient and effective operations.
6. Strong environmental stewardship and performance.
7. Prudent financial management and growth.

We measure our ongoing performance against our ability to meet targets specific to each of our strategic priorities. The SaskPower Corporate Balanced Scorecard is directly aligned with our new strategic priorities and their associated activities.

Corporate Balanced Scorecard

- 1. Proud and productive employees** – A successful future for our company is directly linked to the make-up of our current and future workforce. We strive to ensure our team of employees is dedicated, passionate, innovative and representative of the communities that we serve.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Employee engagement score (%)	39.0	•	•	50.0	55.0	60.0	65.0
Net increase in diversity employees (#)	63	51	110	80	85	90	95
Safety Index	•	•	1.7	3.0	2.5	2.3	2.0

• Denotes that actuals or targets were not available or reported for that time period.

Employee engagement score – This measure focuses on ensuring SaskPower has engaged employees and creates an environment conducive to the continuous improvement of productivity. The intent is to measure engagement levels on a regular basis and to show steady improvement. SaskPower's 2007 score was 39%, which is well below the targeted level. While there are many factors that have contributed to a relatively low starting point, activities and initiatives have been planned and executed to move SaskPower in the appropriate direction. There was no engagement survey completed in 2008 or 2009. The next survey is planned for the spring of 2010.

Net increase in diversity employees – SaskPower has established an objective of having a workforce that is representative of Saskatchewan's population. A diverse employee base is a key part of our company's strategy to attract and retain a productive workforce. Net increase in diversity employees is a measure of the number of employees hired during the year from one of the four designated target groups (Aboriginal people, visible minorities, persons with disabilities and women in non-traditional roles). The actual results were above target for the year and an improvement from the prior year.

Safety Index – Safety is a critical element in all SaskPower's operations. In recent years, our company's safety record has improved, however there are opportunities for further advances. Continued improvement in safety processes and practices is essential for the well-being of our workforce and the wider community. The Safety Index is a measure that evaluates how well SaskPower is performing in relation to its safety targets. A lower score indicates better performance. In 2009, the Corporation had a safety index of 1.7 which exceeded the target of 3.0.

- 2. Loyal and satisfied customers** — SaskPower's mission is built around serving the people and businesses of Saskatchewan. As our customers' needs evolve, so must our company. Beyond ensuring dependability, SaskPower will work in partnership with customers to find innovative and timely solutions to address ever-changing service requirements.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Customer Satisfaction Index (10 point scale)	•	78	78	78	8.0	8.2	8.2
Reliability System Average Interruption Duration Index (SAIDI)	4.5	3.8	4.5	3.4	4.1	4.1	4.0
Reliability System Average Interruption Frequency Index (SAIFI)	2.0	1.8	1.9	1.6	1.8	1.8	1.7

• Denotes that actuals or targets were not available or reported for that time period.

Customer Satisfaction Index — The Customer Satisfaction Index is derived from our annual customer satisfaction survey. Our company is targeting to increase the mean or average satisfaction rating for all customer classes. Programs such as Service Delivery Renewal (SDR) and Demand Side Management (DSM) are initiatives that have been established with the objective of improving customer satisfaction. In 2009, the Corporation met its customer satisfaction target of 78.

Reliability System Average Interruption Duration Index (SAIDI) — This is a measure of the average service interruption length in hours from a customer's point of view. This is used to track SaskPower's performance in responding to outages. The target reflects a normal year for SaskPower. To achieve its target, our company focuses on a number of initiatives, including the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program. These initiatives are designed to reduce outages that are considered controllable. The SAIDI measured 4.5 in 2009, which represents a greater length of interruptions than the 2009 target. This was due largely to additional maintenance work during the year, which resulted in a higher than expected number of planned outages. The target for 2010 has been set with a maintenance and realignment focus. This focus will provide performance improvement in the long term.

Reliability System Average Interruption Frequency Index (SAIFI) — This is a measure of the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system. The target reflects a normal year for SaskPower. The SAIFI measured a greater number of interruptions than the 2009 target due to an increased number of planned outages for maintenance work. As noted above, SaskPower continues to focus on a number of initiatives in an effort to meet its targeted level of service.

- 3. Informed and engaged stakeholders** — SaskPower plans to deliver on this new strategic priority by maintaining open and honest relationships with our stakeholders, rooted in a commitment to ongoing two-way communication. Exchanging timely, forward-looking and comprehensive information with stakeholders will instill further confidence in SaskPower's operations and future plans. Our company is currently developing measures and targets for this strategic priority.
- 4. Dependable and secure infrastructure** — SaskPower has a strong track record of providing reliable service to customers. For our company, dependability begins with a secure supply of electricity, continues by way of a robust grid system and ends with excellence in product delivery.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Net new capacity additions (MW)	•	•	199	169	141	100	300
Renewing Infrastructure Index (%)	•	•	85.9	87.6	88.0	88.3	89.6

• Denotes that actuals or targets were not available or reported for that time period.

Net new capacity additions – This is a measure of the increase in the net amount of SaskPower's generation capacity. SaskPower has an ongoing need to replace existing generating infrastructure and increase its capacity — through the building of new plants or through power purchase agreements — to maintain our infrastructure and to accommodate new growth. SaskPower added 199 MW of capacity in 2009 which is made up of the installation of simple cycle natural gas turbines at Queen Elizabeth Power Station and Ermine. The 199 MW of additional capacity exceeded the target by 30 MW as the Capacity Plan called for the retirement of the Success Power Station (30 MW) in 2009. However, at the end of 2009 the Success Power Station remained available for SaskPower's use.

Renewing Infrastructure Index – This is a measure of the equipment availability of our generation and transmission assets. It demonstrates the effectiveness of SaskPower's overall asset maintenance strategy. The 2009 result was 1.7% below target primarily due to higher than anticipated equipment-related outages.

5. **Efficient and effective operations** — SaskPower will deliver on this new strategic priority through a number of efficiency initiatives that will ensure SaskPower is able to demonstrate cost-effective management of the Corporation, and moderate the need for rate increases.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Employee productivity indicator (GWh/employee)	8.3	8.1	7.5	7.8	7.9	8.1	8.2
Revenue/total assets (%)	32.8	32.9	31.2	•	30.9	28.1	23.3
Operating, maintenance & administration (OM&A)/revenue (%)	27.8	28.0	30.2	•	29.2	28.1	27.0
Efficiency and Effectiveness Program savings (\$M of accumulated savings)	•	•	•	•	24.3	54.2	102.2
Rates – thermal utilities (%)	•	•	79.8	≤110.0	≤110.0	≤110.0	≤110.0

• Denotes that actuals or targets were not available or reported for that time period.

Employee productivity indicator – The employee productivity indicator is defined as the total volume of SaskPower generation relative to the total number of full-time permanent employees. Total SaskPower generation includes electricity obtained from imports and through power purchase agreements. The 2009 result for the productivity indicator is 7.5, just slightly under the target of 7.8. The main reason for the negative variance is the decreased sales volume this year. As the economic conditions continued to deteriorate, so did demand from our domestic and export customers.

Revenue/total assets (new) – The revenue to total assets ratio is an asset productivity ratio describing the relationship between sales and the assets needed to generate the sales. Capital efficient operations have a higher ratio for this measure, as relatively fewer assets are required to maintain operations. The ratio reflects whether or not we have utilized our assets efficiently on a year-to-year basis. The Corporation's targets recognize a decline in the ratio as the Corporation expands its capital infrastructure.

OM&A/revenue (new) – The OM&A as a per cent of revenue illustrates SaskPower's operational efficiency. The lower the ratio, the more efficient SaskPower's operations are. The OM&A figure used in the calculation excludes pension expense and spending on the integrated carbon capture and storage (ICCS) project. Grant funding for the ICCS project is excluded from revenue. SaskPower's OM&A to revenue ratio has generally been in the 28% – 30% range in the recent past. The Corporation's objective is to show steady and significant improvements in future years with a long-term target of 20%.

Efficiency and Effectiveness Program savings (new) – SaskPower is establishing an Efficiency and Effectiveness Program with the objective of optimizing the Corporation's fuel and purchased power, OM&A, and capital spending. The long-term target is to save or avoid a cumulative amount of \$2 billion or more over a 10-year period. In 2010, SaskPower will be working with external consultants to clearly define the initiatives that will enable the Corporation to achieve its objective.

Rates - thermal utilities – The objective of this indicator is to ensure that SaskPower's system average rates are less than or equal to 110% of the system average rates for customers served by utilities dependent on thermal generation. SaskPower's 2009 result of 79.8 was better than the target and demonstrates that SaskPower remains competitive with our thermal industry peers.

- 6. Strong environmental leadership and performance** — SaskPower will cultivate effective environmental stewardship through the prudent use of natural resources and the safeguarding of our air, land and water. We will strengthen our company's commitment to sustainability by developing and introducing cleaner sources of electricity while lowering emissions and empowering customers to manage their energy use.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Fossil fuel CO ₂ emission intensity (tonnes CO ₂ e/MWh)	•	•	•	•	0.88	0.86	0.85
Demand Side Management (DSM) - accumulated peak savings (MW)	•	•	23	24	38	46	55
Eneraction - cost of acquired savings (\$/kWh)	•	•	0.03	0.02	0.02	0.02	0.02
Customer satisfaction with SaskPower's environmental performance (10 point scale)	•	•	7.5	7.5	7.8	8.0	8.0

• Denotes that actuals or targets were not available or reported for that time period.

Fossil fuel CO₂ emission intensity (new) — This is a new measure of the amount of carbon dioxide equivalent (CO₂e) emissions from all SaskPower-owned coal- and gas-fired generation and from Independent Power Producers. The primary purpose of this metric is to demonstrate a long-term plan to shift the generation fleet over to more efficient and lower carbon emitting generation.

DSM - accumulated peak savings — This is a measure of the progress being made in delivering new DSM programs. It records demand reduction in megawatts at customer sites. The accumulated demand reduction will be achieved through energy efficiency, demand response, customer self generation, and system improvement programs that are designed to achieve energy and demand savings. Program savings are calculated using an appropriate end-use load factor and the amount of energy savings estimated at the customer site. Three new programs were added to the existing DSM portfolio in 2009 — Commercial Lighting Program, Municipal Ice Rink Program, and Commercial Geothermal Program. The total accumulated demand savings in 2009 was 23 MW, slightly below the target of 24 MW.

Eneraction - cost of acquired savings — This is a measure of SaskPower's DSM initiatives that calculates the cost of average annual energy savings. At the end of 2009, Eneraction — SaskPower's portfolio of DSM initiatives — had 12 programs and four demonstration projects in the market. These programs allow SaskPower to work with customers to reduce and adjust electricity use to lessen the overall demand for power. Cost of acquired savings at the end of 2009 due to Eneraction was \$0.03/kilowatt hour (kWh), slightly more expensive than the target of \$0.02/kWh. SaskPower's investment on a dollar per kWh basis deviated slightly from the original estimate as some lower-impact programs targeting a limited market affected overall cost-effectiveness. Overall, SaskPower's investment in DSM remains low when compared to other supply options.

Customer satisfaction with SaskPower's environmental performance — This is a measure evaluating customer satisfaction. As part of the customer satisfaction survey conducted each year, SaskPower measures how satisfied respondents are with the company's environmental performance. SaskPower's target for 2009 was met with a score of 7.5.

- 7. Prudent financial management and growth** — We believe a consistently strong financial performance is essential to sustain the health of our company and meet obligations to our shareholder. A healthy balance sheet will give SaskPower the flexibility to finance ongoing operations and capital requirements while we strive to deliver rates to all customers that accurately reflect costs and are competitive with other jurisdictions.

Measures	2007 actual	2008 actual	2009 actual	2009 target	2010 target	2011 target	2012 target
Per cent debt ratio (%)	59.7	60.7	61.4	63.4	63.9	67.8	74.1
Return on equity (%)	9.3	4.2	6.5	8.5	7.9	8.5	8.5
Interest coverage ratio	1.8	1.5	1.5	•	1.5	1.5	1.5
NorthPoint growth (%)	(26.8)	42.4	(79.7)	8.0	8.0	8.0	8.0

• Denotes that actuals or targets were not available or reported for that time period.

Per cent debt ratio — This is a measure of debt expressed as a percentage of the total corporate financing structure. The long-term target has been set as a range between 60 – 75%. This range reflects the flexibility that the Corporation requires to increase its debt levels in order to finance our capital program. The 2009 per cent debt ratio of 61.4% was better than target as SaskPower's capital spending in 2009 was lower than expected. The per cent debt ratio is discussed in further detail in the financial results section of the MD&A.

Return on equity — This is a measure of net income for the year expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities. The return on equity was 6.5% in 2009, which was below the target for the year. The net income results are explained in further detail in the financial results section of the MD&A.

Interest coverage ratio (new) — This is a financial ratio that the Corporation will be focusing on in 2010. It provides a quick picture of a company's ability to pay the interest charges on its debt. The coverage aspect of the ratio indicates how many times the interest could be paid from available earnings, providing a sense of the safety margin a company has for paying its finance charges for any period. A company that sustains earnings well above its interest requirements is in an excellent position to weather possible financial downturns.

NorthPoint growth — This is a measure of NorthPoint's net income growth. NorthPoint's growth strategy includes expanded electricity trading in new markets and natural gas sales and storage optimization. The 2009 result was below the targeted value primarily due to decreased electricity demand and average electricity prices throughout North America.

Results from operations

(in millions)	2009	2008	Change
Revenue			
Saskatchewan electricity sales	\$ 1,447	\$ 1,385	\$ 62
Exports	12	33	(21)
Net sales from electricity trading	7	17	(10)
Other revenue	80	54	26
Total revenue	1,546	1,489	57
Operating costs			
Net fuel and purchased power	509	545	(36)
Operating, maintenance and administration	523	430	93
Depreciation and amortization	233	234	(1)
Finance charges	149	153	(4)
Taxes	39	35	4
Total operating costs¹	1,453	1,397	56
Operating income¹	\$ 93	\$ 92	\$ 1
Unrealized natural gas risk management activities	10	(28)	38
Net income	\$ 103	\$ 64	\$ 39
Operating return on equity²	5.9%	5.9%	-
Return on equity³	6.5%	4.2%	2.3%

1. Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income, respectively. Operating costs and operating income provide management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the non-GAAP Measures section on page 55 for further discussion of these items.

2. Operating return on equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.

3. Return on equity = (net income)/(average equity).

Highlights

SaskPower's consolidated operating income was \$93 million in 2009, an increase of \$1 million from 2008. The increase in earnings was due to a \$57 million improvement in revenue offset by a \$56 million increase in operating costs. The operating return on equity was 5.9%, unchanged from the previous year.

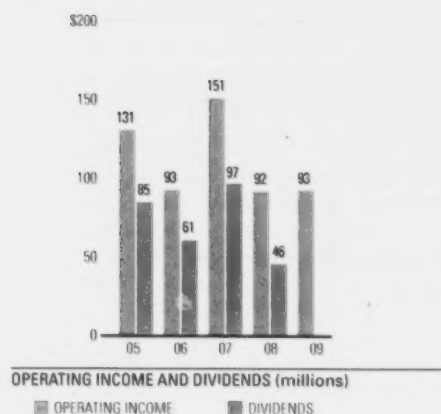
The \$57 million improvement in revenue was attributable to a \$62 million increase in Saskatchewan electricity sales and a \$26 million increase in other revenue. Saskatchewan electricity sales increased primarily due to the 8.5% rate increase that became effective on June 1, 2009. Other revenue rose primarily due to an increase in ICCS grant funding. This increase in funding is completely offset by additional ICCS project spending, which is recorded in OM&A expense.

The increase in these revenue sources was partially offset by the \$21 million decrease in export revenue and a \$10 million decline in net electricity trading sales as a result of price decreases and lower sales volumes in North American electricity markets.

The net improvement in revenues was substantially offset by a \$56 million increase in operating costs. The largest impact was a \$93 million increase in OM&A costs primarily the result of additional pension expense, increased ICCS spending, rising costs for wages and benefits, and higher maintenance costs. This increase was partially offset by a \$36 million decrease in net fuel and purchased power due to lower fuel prices, reduced volumes, and a favourable change in the fuel mix. There was also a combined \$1 million decrease in depreciation, finance charges, and taxes over the prior year.

Net income was \$103 million in 2009 compared to \$64 million in 2008. The \$103 million net income includes \$10 million of unrealized gains on SaskPower's natural gas risk management activities compared to \$28 million of unrealized losses in 2008.

In 2009, SaskPower did not declare any dividends payable to CIC compared to \$46 million in 2008. CIC determined that the Corporation would not be required to pay any dividends in 2009 due to SaskPower's requirement for significant capital investments.



Over the last five years, SaskPower has declared \$289 million in dividends payable to CIC.

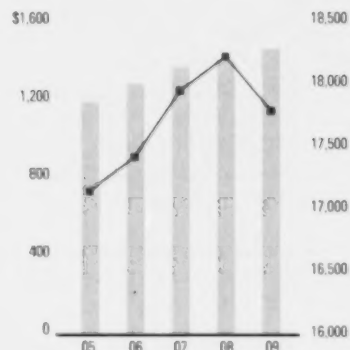
Revenue

A. Saskatchewan electricity sales

(in millions)	2009	2008	Change
Saskatchewan electricity sales	\$ 1,447	\$ 1,385	\$ 62

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the province. These sales are subject to the effects of general economic conditions, number of customers, weather and electrical rates. Saskatchewan electricity sales were \$1,447 million in 2009, up \$62 million from 2008.

The increase in revenue was due to a system-wide average rate increase of 8.5% that became effective on June 1, 2009. The additional revenues from the rate increase were partially offset by a decline in electricity sales volumes to Saskatchewan customers. Sales volumes of 17,765 gigawatt hours (GWh) were down 427 GWh or 2% from the previous year. The drop in sales volumes was driven by declines in the power customer class which was down 759 GWh or 11% in 2009 compared to 2008. All other rate classes were either flat or reported moderate growth.



SASKACHEWAN ELECTRICITY SALES

■ ELECTRICITY SALES (MILLIONS) — ELECTRICITY SALES (GWh)

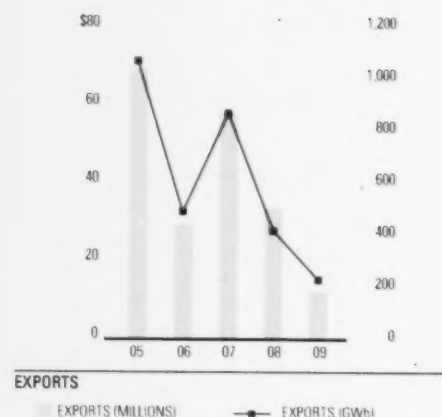
Saskatchewan sales revenues were up \$62 million or 4% in 2009 compared to 2008 due to the 8.5% system-wide average rate increase. However, volumes declined 427 GWh or 2% over the same period.

B. Exports

(in millions)	2009	2008	Change
Exports	\$ 12	\$ 33	\$ (21)

Exports represent the sale of SaskPower's surplus generation to other regions in Canada and the United States. The bulk of SaskPower's exports are made to the neighbouring Alberta and Midwest Independent Transmission System Operator (MISO) markets. Export pricing is not subject to the rate review process but is determined based on market conditions in other jurisdictions. Export sales volumes are dependent on the availability of surplus SaskPower generation, market conditions in other jurisdictions, and transmission availability.

Exports were \$12 million in 2009, down \$21 million compared to 2008. The decline was due to lower sales volumes and a decline in the average export price. The decline in volume and average price was caused by a decrease in electricity demand in the Corporation's export markets primarily as a result of the economic downturn, weather impacts and changes in market rules in Alberta. Export sales volumes decreased 185 GWh, compared to 2008. The average export sales price of approximately \$56/megawatt hour (MWh) was down \$25/MWh from 2008.



Export sales declined in 2009 primarily due to the economic downturn, weather impacts and changes in market rules in Alberta.

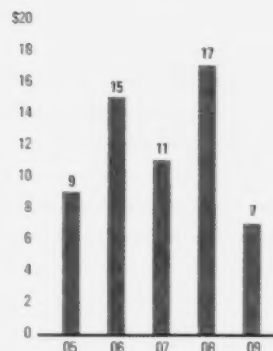
C. Net sales from electricity trading

(in millions)	2009	2008	Change
Electricity trading revenue	\$ 74	\$ 125	\$ (51)
Electricity trading costs	(67)	(108)	41
Net sales from electricity trading	\$ 7	\$ 17	\$ (10)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint, include the purchase and resale of electricity and other electricity-related commodities and derivatives in regions outside Saskatchewan. The trading activities include both real time as well as short- to long-term physical and financial trades in the North American market. The trading activities are intended to deliver positive gross margins to SaskPower's bottom line while operating within an acceptable level of risk.

Electricity trading revenues were \$74 million in 2009, down \$51 million from 2008. Overall trading volumes decreased 352 GWh as a result of minimal volatility in external electricity markets which reduced trading opportunities. Electricity trading revenues were also negatively impacted by a decrease in the average sales price, which dropped to \$50/MWh in 2009 from \$66/MWh in 2008. The most significant declines in price and volume occurred in the Alberta; MISO; and Pennsylvania, New Jersey, Maryland Interconnection (PJM) markets.

As average electricity trading prices decreased, so did the gross margin — or net sales after deducting purchased power costs. In 2009, the margin was \$7 million or 9%, compared to \$17 million or 14% in 2008.



NET ELECTRICITY TRADING SALES (in millions)

Net sales from electricity trading declined in 2009 primarily due to declines in demand and prices in the Alberta, MISO and PJM markets.

D. Other revenue

(in millions)	2009	2008	Change
Other revenue	\$ 80	\$ 54	\$ 26

Other revenue includes various non-electricity products and services. Other revenue increased \$26 million to \$80 million in 2009. The increase was primarily due to additional grant revenue provided by the federal government as funding for SaskPower's ICCS initiative. Total grant revenue received for the ICCS project was \$28 million in 2009, a \$26 million increase from 2008. The funding for the ICCS initiative is offset by an increase in OM&A expense.

Operating costs

A. Net fuel and purchased power

(in millions)	2009	2008	Change
Fuel and purchased power	\$ 434	\$ 554	\$ (120)
Realized natural gas risk management activities	75	(9)	84
Net fuel and purchased power	\$ 509	\$ 545	\$ (36)

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, energy purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside Saskatchewan when favourable conditions exist.

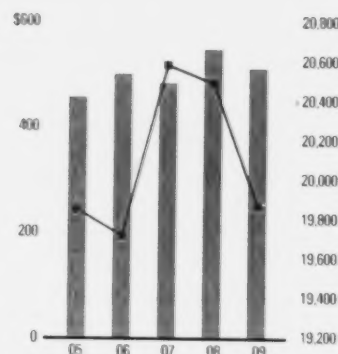
SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have a low incremental cost per unit of generation. Hydro generation is dependent upon water levels and river flow at SaskPower's hydro facilities and coal generation is a product of the availability of our coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Net fuel and purchased power costs were \$509 million in 2009, compared to \$545 million in 2008. The \$36 million decrease was due to favourable changes in the fuel mix, price and volume variances.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro and coal, the more favourable the impact on fuel and purchased power costs.

In 2009, coal generation was up 912 GWh or 8% over 2008 due to increased availability of the coal units. This increase in coal generation was partially offset by a 1,068 GWh or 27% decrease in hydro generation as water available to produce electricity at the Corporation's hydroelectric plants had decreased from the prior year. The net impact of these changes resulted in coal and hydro generation accounting for 77% of the total generation in 2009, compared to 75% in 2008. This favourable change in the fuel mix resulted in an estimated \$5 million decrease in fuel and purchased power costs.

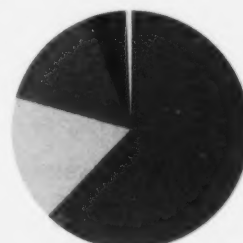
In addition, there was a decrease in the average cost of fuel in 2009 compared to 2008. Average natural gas prices issued from the Corporation's inventory decreased approximately \$2.50 per gigajoule (GJ) in 2009 compared to 2008 as a result of a decline in the market price of natural gas.



NET FUEL AND PURCHASED POWER

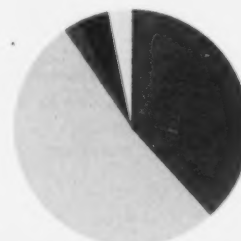
■ NET FUEL AND PURCHASED POWER (MILLIONS) — GROSS ELECTRICITY SUPPLIED (GWh)

Net fuel and purchased power costs decreased in 2009 as a result of favourable changes in the fuel mix, price and volume variances.



2009 GROSS ELECTRICITY SUPPLIED - 19,864 GWh

■ COAL 62% ■ WIND 3%
■ GAS 17% ■ IMPORTS 2%
■ HYDRO 15% ■ OTHER 1%



2009 NET FUEL AND PURCHASED POWER - \$509 million

■ COAL 38% ■ WIND 1%
■ GAS 52% ■ IMPORTS 4%
■ HYDRO 2% ■ OTHER 3%

Coal and hydro represent 40% of the net fuel and purchased power costs for 2009 while providing 77% of electrical requirements

However, a portion of these savings from the lower market price was offset by SaskPower's natural gas hedging program. In 2009, 45% of the Corporation's natural gas exposure was hedged against changes in natural gas market prices. The strategy is intended to mitigate our company's exposure to fluctuations in natural gas market prices and to stabilize the fuel and purchased power budget. In 2009, SaskPower settled approximately 16 million notional GJ in natural gas hedge transactions, resulting in \$75 million of realized losses.

The Corporation also experienced lower average costs for coal as a result of an increase in total tonnes delivered in 2009 compared to 2008. This lowers the average coal price due to the inclusion of certain fixed costs within the coal contracts. Import prices were also down as a result of decreased demand in other jurisdictions.

The net impact of the various changes in fuel prices was a \$14 million decline in net fuel and purchased power costs as a result of declining fuel prices.

There was also a decrease in the volume of electricity supplied in 2009. Total generation and purchased power of 19,864 GWh decreased 616 GWh from the prior year. This decrease in demand resulted in an estimated \$17 million improvement in fuel and purchased power costs in 2009.

B. Operating, maintenance and administration (OM&A)

(in millions)	2009	2008	Change
OM&A	\$ 523	\$ 430	\$ 93

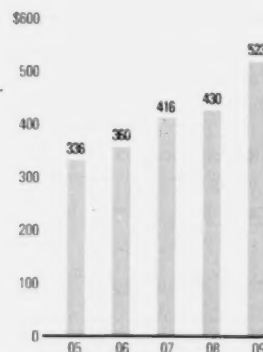
SaskPower's OM&A expense was \$523 million in 2009, compared to \$430 million in 2008. This \$93 million increase was largely the result of additional pension expense, ICCS spending, rising costs for wages and benefits and higher maintenance costs.

Pension expense was up \$25 million from 2008 largely as a result of significant losses on the Plan's assets in prior years.

Spending on the ICCS project was also up \$25 million over 2008 as the Corporation continued its efforts to develop a commercially feasible ICCS generation facility. The expenditures on the ICCS project are completely offset by funding from the federal government, which is recorded in other revenue.

Salaries and benefits increased \$22 million, primarily as a result of general economic increases and overall staff increases to address additional work load and new initiatives.

Finally, SaskPower experienced a \$21 million increase in external services and other costs largely due to increased maintenance activities.



OM&A (millions)

OM&A costs increased \$93 million in 2009 due to additional pension expense, ICCS spending, rising costs for wages and benefits and higher maintenance costs.

C. Depreciation and amortization

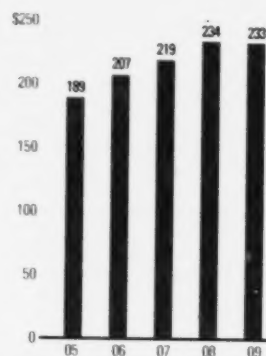
(in millions)	2009	2008	Change
Depreciation and amortization	\$ 233	\$ 234	\$ (1)

Depreciation represents a charge to income for the capital expenditures of SaskPower. The capital expenditures are amortized to income on a straight-line basis over the estimated useful life of the related asset. Depreciation rates are established based on periodic depreciation studies.

Depreciation expense amounted to \$233 million in 2009, down \$1 million from 2008. The decline was due to a number of one-time adjustments. The Corporation revised its estimate for environmental liabilities which resulted in a \$4 million reversal of environmental expenses. There was also a \$6 million decrease in asset retirement and disposal costs in 2009 relative to 2008 due to a large write-down of asset values in 2008.

In addition to these one-time adjustments, there was a \$1 million increase in the amortization of customer contributions due to the large volume of customer connects and contributions in 2008 and 2009.

These decreases in expense were offset by a \$10 million increase in depreciation expense attributable to the growth in SaskPower's property, plant and equipment as a result of ongoing capital expenditures.



DEPRECIATION AND AMORTIZATION (millions)

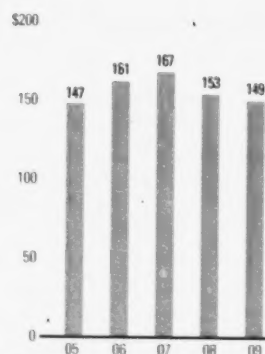
In 2009, depreciation was flat largely due to a number of one-time adjustments that offset the increase in depreciation as a result of the additions to the Corporation's property, plant and equipment.

D. Finance charges

(in millions)	2009	2008	Change
Finance charges	\$ 149	\$ 153	\$ (4)

Finance charges include the net amount of interest on recourse and non-recourse debt; interest capitalized; debt retirement fund earnings and changes in the market value of the funds; interest income; and foreign exchange gains/losses.

Finance charges of \$149 million in 2009 were down \$4 million from 2008. The decrease was primarily due to a \$9 million increase in interest capitalized as a result of the growth in the level of capital spending in 2009. This was partially offset by a \$3 million decrease in interest income and debt retirement fund earnings and a \$2 million increase in foreign exchange losses.



FINANCE CHARGES (millions)

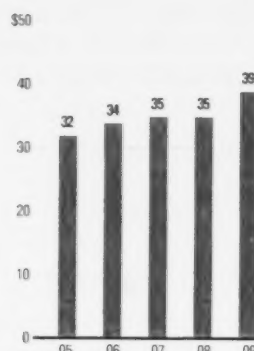
Finance charges fell in 2009 mainly due to an increase in the amount of interest capitalized.

E. Taxes

(in millions)	2009	2008	Change
Taxes	\$ 39	\$ 35	\$ 4

Taxes represent the payment of corporate capital tax to the Province of Saskatchewan and grants-in-lieu of taxes paid to 13 cities in Saskatchewan.

Taxes were up \$4 million in 2009 compared to 2008 due to a \$3 million increase in the corporate capital tax as a result of the growth in the Corporation's capital base. There was also a \$1 million increase in grants-in-lieu of taxes as a result of rising Saskatchewan revenues.



TAXES (millions)

Tax levels increased in 2009 due to the growth in the capital tax base and Saskatchewan revenues.

Unrealized natural gas risk management activities

(in millions)	2009	2008	Change
Natural gas hedges market value (gains) losses	\$ (9)	\$ 27	\$ (36)
Natural gas hedges transitional market value net (gains) losses reclassified to net income	(1)	1	(2)
Unrealized natural gas risk management activities	\$ (10)	\$ 28	\$ (38)

Unrealized natural gas risk management activities represent the change in the market value of SaskPower's outstanding natural gas hedges during the year. As of December 31, 2009, SaskPower had outstanding hedges of approximately 29 million notional GJ to fix the price of natural gas on a portion of our company's anticipated natural gas needs in 2010, 2011 and 2012. The net unrealized market value gain on these outstanding hedges was \$9 million in 2009. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts.

The natural gas hedges transitional market value net losses reclassified to net income represent a transitional amount that resulted from the discontinuance of hedge accounting at the end of 2006. This transitional amount is amortized to net income over the life of the natural gas contracts in place on December 30, 2006.

Discussion of quarterly results

The following chart outlines the quarterly operating results of SaskPower in 2009:

(in millions)	Q1	Q2	Q3	Q4	Total
Revenue					
Saskatchewan electricity sales	\$ 373	\$ 328	\$ 355	\$ 391	\$ 1,447
Exports	3	2	6	1	12
Net sales from electricity trading	2	4	1	—	7
Other revenue	14	17	21	28	80
Total revenue	392	351	383	420	1,546
Operating costs					
Fuel and purchased power	146	117	114	132	509
Operating, maintenance and administration	119	137	122	145	523
Depreciation, finance charges and taxes	105	109	96	111	421
Total operating costs	370	363	332	388	1,453
Operating income (loss)	\$ 22	\$ (12)	\$ 51	\$ 32	\$ 93
Unrealized natural gas risk management activities	(21)	10	15	6	10
Net income (loss)	\$ 1	\$ (2)	\$ 66	\$ 38	\$ 103

The Corporation reported operating income of \$22 million in the first quarter of 2009 as a result of high electricity sales and relatively low OM&A expense. The second quarter reported a \$12 million operating loss as electricity demand declined and OM&A expense increased. The third and fourth quarters reported operating income of \$51 million and \$32 million, respectively. The improvement in earnings in the last two quarters of 2009 relative to the second quarter was largely attributable to the 8.5% system-wide average rate increase implemented on June 1, 2009.

Financial condition

The following table outlines changes in the consolidated balance sheet from December 31, 2008, to December 31, 2009:

(in millions)	Increase/ (decrease)	Explanation of change
Cash and cash equivalents/bank indebtedness	\$ (8)	Refer to consolidated statement of cash flows.
Accounts receivable and unbilled revenue	34	Increased revenue partly due to the 8.5% rate increase implemented in 2009.
Inventory	-	
Risk management assets	(2)	Settlement of natural gas hedges.
Property, plant and equipment (net)	368	Capital additions offset by depreciation expense and asset retirements.
Debt retirement funds	34	Instalments, earnings and market value adjustments.
Other assets	-	
Short-term advances	272	Increased use of variable rate short-term advances in the Corporation's capital structure.
Accounts payable and accrued liabilities	52	Increase in new generation projects and other capital projects.
Accrued interest	-	
Risk management liabilities	(11)	Settlement of natural gas hedges.
Dividends payable	(8)	No dividend in 2009.
Long-term debt (including current portion)	(7)	Debt repayments.
Other liabilities	25	Increased estimated cash flows related to asset retirement obligations.
Equity	103	Net income for 2009.

Liquidity and capital resources

SaskPower raises most of its capital requirements through internal operating activities and through borrowings obtained from the Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Province's strong credit rating. *The Power Corporation Act* provides SaskPower with the authority to have outstanding borrowings of up to \$5 billion. This includes \$750 million which may be by way of temporary loans and available credit of \$51 million at financial institutions that it can draw upon.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance SaskPower's share of the Cory Cogeneration Station and \$660 million in equity advances that were provided by CIC over the period of 1989–1992 to form CIC's equity capitalization in SaskPower.

Cash flow highlights

(in millions)	2009	2008	Change
(Bank indebtedness)/cash and cash equivalents	\$ (2)	\$ 6	\$ (8)

Bank indebtedness/cash and cash equivalents were \$(2) million in 2009, down \$8 million from the prior year. The \$8 million decrease in the cash position was the result of \$342 million provided by operating activities and \$232 million provided by financing activities, offset by \$582 million used in investing activities.

A. Operating activities

(in millions)	2009	2008	Change
Cash provided by operating activities	\$ 342	\$ 320	\$ 22

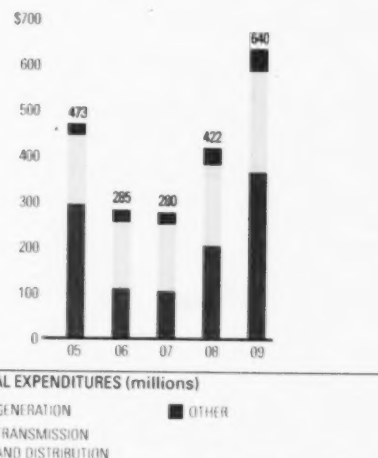
Cash provided by operating activities was up \$22 million in 2009 compared to 2008. The increase was primarily due to a \$28 million improvement in working capital largely due to an increase in accounts payable. Cash flow from other operating activities was consistent in 2008 and 2009 as there was little change in operating income.

B. Investing activities

(in millions)	2009	2008	Change
Generation	\$ 369	\$ 207	\$ 162
Transmission and distribution	221	177	44
Other	50	38	12
Total capital expenditures	640	422	218
Customer contributions and net cost of removal	(54)	(39)	(15)
Equity investment distributions	(4)	(6)	2
Cash used in investing activities	\$ 582	\$ 377	\$ 205

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested \$640 million in various capital projects during 2009, compared to \$422 million in 2008. The Corporation's capital was invested in the following areas during the year:

- \$260 million on new simple cycle natural gas turbine facilities at Queen Elizabeth Power Station, Ermine and North Battleford.
- \$109 million on renewing other generation assets, including \$30 million on the Boundary Dam Power Station spillway upgrade and \$12 million to upgrade the Boundary Dam Power Station Unit #6 turbine.



SaskPower has invested \$2.1 billion in its capital infrastructure over the last five years.

- \$221 million on transmission and distribution assets, including \$89 million to connect customers to the SaskPower electric system; \$30 million to build a transmission line and switching station from Poplar River Power Station to Pasqua; and \$8 million to replace aging wood poles.
- \$50 million on other capital assets, including vehicles, equipment and computer information and technology assets.

Also included in the cash flow used in investing activities were the following:

- Total customer contributions, net of proceeds on removal, were \$54 million, up \$15 million from 2008. Customer contributions are funds received from certain customers for the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The net proceeds on removal represent the net cash received or paid upon normal disposal of an asset.
- In 2009, SaskPower received \$4 million in cash distributions from its equity investment in the MRM Cogeneration Station compared to \$6 million in 2008.

C. Financing activities

(in millions)	2009	2008	Change
Net proceeds from new borrowings	\$ 265	\$ 13	\$ 252
Net debt retirement fund (instalments)/redemptions	(25)	35	(60)
Dividends paid	(8)	(69)	61
Cash used in financing activities	\$ 232	\$ (21)	\$ 253

In 2009, \$232 million of cash was provided by financing activities, compared to \$21 million of cash used in 2008. The \$232 million inflow of cash was made up of the net proceeds from new borrowings less debt retirement fund instalments and dividend payments to CIC.

Gross long-term debt and short-term advances

(in millions)	2009	2008	Change
Gross long-term debt	\$ 2,571	\$ 2,578	\$ (7)
Short-term advances	272	—	272
Total	\$ 2,843	\$ 2,578	\$ 265

Per cent debt ratio¹	61.4%	60.7%	0.7%
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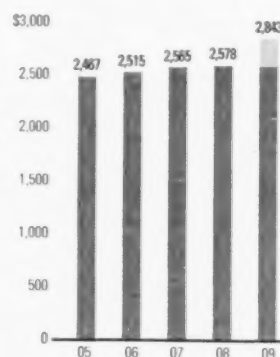
1. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term + current portion of long-term debt + short-term advances + bank indebtedness – debt retirement funds – cash and cash equivalents).

SaskPower's gross long-term debt position was \$2,571 million at December 31, 2009, down \$7 million from December 31, 2008. The decline in gross debt was the result of the following:

- SaskPower repaid \$3 million of recourse debt with interest rates ranging from 9.15% to 9.26%.
- SaskPower repaid \$4 million of non-recourse debt.

The Corporation also added \$272 million of short-term advances at December 31, 2009.

As a result of the additional short-term advances, SaskPower's per cent debt ratio has risen from 60.7% in 2008 to 61.4% in 2009.



GROSS LONG-TERM DEBT AND SHORT-TERM ADVANCES AT DECEMBER 31 (millions)

■ GROSS LONG-TERM DEBT ■ SHORT-TERM ADVANCES

Debt levels have been increasing to finance capital expenditures.

Debt retirement funds instalments/redemptions

(in millions)	2009	2008	Change
Debt retirement fund instalments	\$ (25)	\$ (24)	\$ (1)
Debt retirement fund redemptions	—	59	(59)
	\$ (25)	\$ 35	\$ (60)

Debt retirement funds are monies set aside to retire outstanding long-term debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan — General Revenue Fund.

SaskPower made \$25 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Province of Saskatchewan — General Revenue Fund. SaskPower did not redeem any debt retirement funds in 2009. SaskPower also earned \$9 million net of market value adjustments (classified as part of operating income) on the debt retirement funds during the year.

Dividends

SaskPower pays dividends to CIC based on the CIC Dividend Policy. Dividends are typically calculated based on a percentage of net income excluding unrealized gains and losses on held-for-trading financial instruments. Dividends on each three month period's net earnings are paid quarterly with a one quarter lag to allow time for the financial statements to be audited before the annual dividend is finalized.

In 2009, SaskPower paid \$8 million in dividends which related to dividends declared in the fourth quarter of 2008. For the 2009 calendar year, CIC determined that SaskPower would not pay any dividends due to the Corporation's significant capital requirements.

Contractual obligations

The Corporation had the following significant long-term contractual obligations as at December 31, 2009, which will impact cash flows in 2010 and beyond.

(in millions)	2010	2011	2012	2013	2014 and beyond	Total
Long-term debt (including principal and interest)	\$ 174	\$ 174	\$ 173	\$ 271	\$ 5,038	\$ 5,830
Debt retirement fund instalments	25	25	25	25	440	540
Power purchase agreements	210	236	282	291	6,483	7,502

SaskPower's financing requirements for 2010 will include the repayment of \$4 million of non-recourse debt, \$170 million in interest payments, \$25 million of required debt retirement fund instalments, and \$210 million in minimum payments under existing power purchase agreements. SaskPower evaluates the need for additional borrowings throughout the year.

Outlook

SaskPower expects to earn \$134 million in 2010, resulting in a return on equity of 7.9%. Earnings are expected to increase as a result of higher Saskatchewan sales due to an increase in domestic demand as well as an anticipated 7% system-wide average rate increase.

These increases in revenue are expected to be partially offset by higher expenses in 2010. The largest increases will be in fuel and purchased power costs; OM&A expense; and depreciation. Fuel and purchased power costs are expected to increase due to higher generation volumes and an unfavourable change in the fuel mix. OM&A expense is expected to increase due to higher pension expense, increased spending on the ICCS and SDR projects, rising wages and benefits and increased spending on maintenance. Finally, depreciation expense is expected to increase due to the level of capital investment in 2009 and 2010.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure, totalling over \$8 billion over the next 10 years. Capital expenditures in 2010 are forecast to be approximately \$832 million. This includes costs for installing simple cycle natural gas turbines at North Battleford (141 MW); maintaining and refurbishing the existing fleet; upgrading various transformers and transmission lines; and connecting new customers to SaskPower's grid.

SaskPower subsidiaries

SaskPower has two wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (SaskPower Shand Greenhouse). The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian GAAP. Separate financial statements are prepared and issued for NorthPoint and SaskPower Shand Greenhouse.

NorthPoint

(in millions)	2009	2008
Net income	4	18

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT that mandates the separation of transmission and wholesale marketing functions.

NorthPoint has a service agreement with SaskPower to perform generation and load management services, provide electricity export and import functions related to the generation assets of SaskPower, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants.

NorthPoint also acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of SaskPower. In Canada, it operates in Alberta, Manitoba and Ontario. In the United States, it actively participates in markets in the Northwest, Mid-continent, and East. NorthPoint operates mainly under two umbrella trading agreements: Mid-Continent Energy Marketers Association Tariff and Western Systems Power Pool Agreement.

In 2009, NorthPoint reported net income of \$4 million, which was down \$14 million from the prior year primarily due to a decline in net sales from electricity trading activities. Net sales from electricity trading activities were \$7 million in 2009, down \$10 million from 2008. The decline in net sales was due to a 352 GWh decrease in trading volumes and a \$16/MWh drop in the average sales price as a result of minimal volatility in external electricity markets. The most significant declines in price and volume occurred in the Alberta, MISO, and PJM markets.

A market administrator has advised NorthPoint of actions that took place in 2008 and early 2009 that, in its opinion, are not fully compliant with the rules that apply to electricity trading in that market. NorthPoint and the market administrator have entered into a settlement agreement that is subject to final approval. The Corporation has recorded a provision of its best estimate of the final settlement amount. The final outcome could be different from the estimate.

SaskPower Shand Greenhouse

The mandate of SaskPower Shand Greenhouse is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. Shand Greenhouse has entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the corporation for costs incurred. The annual operating costs of the SaskPower Shand Greenhouse are approximately \$0.8 million.

Off-balance sheet arrangements

The Canadian Institute of Chartered Accountants (CICA) recommends that corporations disclose all off-balance sheet arrangements if they have or are likely to have a material current or future effect on a corporation's financial condition. SaskPower has the following off-balance sheet arrangements that are considered to be significant.

A. Employees' future benefits

SaskPower provides pension plans for all eligible employees, including a defined benefit pension plan, defined contribution pension plan and other severance plans. The funded status (the difference between the plan assets and accrued benefit obligations) of SaskPower's employee future benefit plans is not recognized on the balance sheet as at December 31, 2009. Under current Canadian GAAP, only disclosure of the funded status in the notes to the financial statements is required. In addition, using a measurement date up to three months prior to the balance sheet date is permitted. The measurement date of the latest actuarial valuation used to determine the plan assets and obligations of the various plans was September 30, 2009.

The funded status of the defined benefit pension plan and the present value of the accrued benefits under the other benefit plans are disclosed in *Note 29* to the consolidated financial statements.

B. Energy performance contracts

Energy performance contracts are packages that provide energy savings to certain large commercial customers of SaskPower. The packages are comprehensive facility improvement programs that normally include the installation of new energy efficient equipment, which is intended to pay for itself through energy savings. SaskPower guarantees these energy savings. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings will be realized.

SaskPower has not recorded an asset or liability in respect of these contracts, as the promised energy savings were being realized on all energy performance contracts as of December 31, 2009. In the event that the energy savings were not being realized, SaskPower would be liable to the customer for the guaranteed savings. A payable to the customer and a receivable from the third party that provided an offsetting guarantee to SaskPower would be recorded on the balance sheet.

The value of the guarantees is disclosed in *Note 25(e)* to the consolidated financial statements.

C. Power purchase agreements

The Corporation has entered into power purchase agreements that provide approximately 469 MW of generating capacity. SaskPower recently negotiated two new power purchase agreements with Red Lily Wind Power LP for a wind facility and Northland Power for a natural gas generating station. Both are expected to become operational in 2011 with generating capacities of 25 MW and 86 MW, respectively. The total cost of all power purchase agreements is expected to be \$7,502 (2008 – \$6,194) until 2036.

SaskPower has not recorded these agreements as a liability on its statement of financial position as they represent a commitment, not an obligation under Canadian GAAP.

Information on power purchase agreements is disclosed in *Note 25(a)* to the consolidated financial statements.

Related party transactions

Included in other revenue is \$28 million in federal government grants provided to the Corporation to fund SaskPower's ICCS project. In 2008, the federal government provided the Province of Saskatchewan's General Revenue Fund with \$240 million to fund carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for eligible expenditures on the Boundary Dam ICCS Demonstration Project.

SaskPower also has a number of routine transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. These transactions with related parties are settled at prevailing market prices under normal trade terms.

Related party transactions are disclosed in *Note 28* to the consolidated financial statements.

Analysis of critical accounting policies and estimates

SaskPower's significant accounting policies are described in *Note 2* to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgements about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

A. Change in accounting policies

Goodwill and intangibles

Effective January 1, 2009, SaskPower adopted the new CICA Handbook Section 3064, "Goodwill and intangible assets". This section provides further information on the recognition of internally generated intangible assets and requires intangible assets to be recognized as assets only if the definition of an intangible asset and the recognition criteria are met. It also requires that intangible assets be separately disclosed from other property, plant and equipment.

The recommendations have been applied retroactively resulting in the following reclassifications to the consolidated statement of financial position at December 31, 2008.

Financial statement category	Increase/(decrease)
Property, plant and equipment	\$ (11)
Other assets	11

There was no impact to the consolidated statement of income and retained earnings as a result of the adoption of this new section.

Financial instruments – disclosure

Effective December 31, 2009, SaskPower adopted the changes to CICA Section 3862, "Financial Instruments – Disclosures," regarding the disclosure of fair value techniques. The disclosure can be found in *Note 22*.

Credit risk

Effective January 1, 2009, SaskPower adopted the Emerging Issues Committee (EIC) Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." Under EIC-173, the Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

B. Depreciation

Property, plant and equipment represent 86% of total assets recognized on SaskPower's balance sheet. Included in property, plant and equipment are the generation, transmission, distribution and other assets of SaskPower. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the assets are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. The estimated useful lives are determined based upon manufacturer's guidance on asset life, SaskPower's past experience with similar assets, industry averages, and expectations about future events that could impact the life of the asset.

A one-year increase in the average estimated service life of each of the major asset categories of property, plant and equipment would result in a \$12 million decrease to depreciation expense in the current year. See *Note 2(g)* and *Note 9* to the consolidated financial statements for additional discussion of SaskPower's depreciation expense.

C. Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. SaskPower recognizes asset retirement obligations to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes asset retirement obligations for the decommissioning of assets containing polychlorinated biphenyls (PCBs) with amounts in excess of current environmental laws and regulations. The Corporation has not recognized an obligation for most of its transmission, distribution, and hydro generation assets as an estimate of their fair value cannot be determined. SaskPower expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities, with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion expense on the liability. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation.

A 0.5% increase in the credit-adjusted risk-free rate would result in an \$8 million decrease to the asset retirement obligation, a \$1 million decrease to the asset retirement asset and no material impact on depreciation expense in the current year.

In 2009, SaskPower prepared a revised estimate of future asset retirement costs for its facilities. The change in estimate was applied prospectively effective December 31, 2009. This resulted in a \$28 million increase in property, plant and equipment and other liabilities with no impact on depreciation expense in 2009. See *Note 2(j)* and *Note 19* to the consolidated financial statements for additional discussion of SaskPower's asset retirement obligations.

D. Employees' future benefits

As explained in *Note 2(m)* and *Note 29* in the consolidated financial statements, SaskPower provides post retirement benefits to employees, including a defined benefit pension plan (the Plan). The Plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under the Plan are actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The actual results over the short-term may differ greatly from the long-term assumptions. However, the use of long-term financial assumptions to calculate pension expense is considered appropriate due to the long-term financial commitment that a pension plan represents.

An independent actuary calculates defined benefit pension plan costs based on the long-term assumptions described above. In 2009, the actuary calculated pension expense of \$36 million compared to \$11 million in 2008. This is a non-cash item that is included in OM&A expense on the income statement.

Changes in the long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of SaskPower.

The expected rate of return on plan assets is based upon economic forecasts for the types of investments held by the Plan. The long-term rate of return on plan assets remained at 6.75%, consistent with the prior year. The discount rate is based on the spot yield for high-grade, long-term Canadian corporate bonds. The discount rate was decreased from 6.25% at the beginning of the year to 6.00% at the end of the year to reflect the change in bond markets over that period.

A 0.5% increase in both the expected long-term rate of return on plan assets and the discount rate would result in a \$17 million decrease in pension expense and a \$17 million increase in the defined benefit pension asset recorded in the consolidated financial statements.

E. Unbilled revenue

Electric revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, SaskPower makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors, including estimated consumption by customer class, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2009, total Saskatchewan electricity sales of \$1,447 million included \$67 million of estimated unbilled revenue.

Future accounting policy changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board and the Public Sector Accounting Board have confirmed that enterprises such as SaskPower will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower continues to make progress on its IFRS conversion project and has developed a detailed IFRS implementation plan. An external advisor was engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. Key accounting personnel have received IFRS training. SaskPower has also completed the required modifications to its financial systems to permit the preparation of IFRS compliant financial statements. Quarterly updates have been provided to the Executive, the Board, and the external auditors.

The impact on SaskPower's future financial position and result of operations has not been finalized as the Corporation continues to assess the impacts of adopting these new standards. However, based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment; power purchase agreements; asset retirement obligations; joint ventures; employee future benefits; and financial statement disclosure.

Non-GAAP measures

SaskPower evaluates its performance using a variety of measures. Operating costs, operating income and net debt are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alternative to or more meaningful than, total expense, net income and long-term debt as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Risk management

SaskPower is subject to numerous risks and uncertainties. The occurrence of one or more of these events or conditions could have an adverse effect on the achievement of SaskPower's business objectives or the Corporation's financial and operating condition. Our goal in managing these risks is to protect SaskPower from an unacceptable level of financial or operational exposure.

Risk controls

The Corporation utilizes the following controls to manage its exposure to financial and operating risks.

A. Enterprise Risk Management Program

SaskPower continued to build its Enterprise Risk Management Program in 2009 to further strengthen its risk management capabilities and substantially completed the development of a comprehensive risk register. The register identifies the most significant risks for each business unit and for the Corporation and the management plans for controlling each risk.

B. Loss Prevention Program

The Corporation also utilizes the services of external risk consulting professionals to assist management in its ongoing property and machinery loss prevention program. The program consists of loss prevention inspections at the power generating stations as well as other major facilities around the province. The inspections include confirming fire pump testing, ensuring fire systems are in working order, and verifying that housekeeping standards and preventative maintenance programs are properly maintained.

C. Insurance Program

SaskPower uses insurance as a key tool in managing risk but only in conjunction with risk identification and mitigation. As noted in the Risk Management section, SaskPower faces many risks in supplying power to its customers. Many and varied techniques are utilized to manage the risk of loss to an acceptable level. While these techniques are effective, losses still occur. To protect itself against such losses, SaskPower maintains appropriate insurance policies which essentially transfer the financial consequences of the loss to an insurer when it is cost effective.

Risk factors

A. Market risk

1. General economic conditions

Changes in general economic conditions can have an impact on SaskPower's operations, including fuel prices and availability, interest rate and currency changes, customers' expansion decisions and electricity consumption, worker migration and skills availability, import availability and supply chain capabilities and stability.

SaskPower has developed various policies and procedures that are designed to reduce exposure to changes in general economic conditions. These policies and procedures are reviewed and assessed as to their sufficiency in light of prevailing economic, market, financial and operating circumstances. SaskPower maintains surveillance of events in its business environment and endeavours to anticipate any impacts on the Corporation.

2. Fuel price variability and long-term fuel supply

SaskPower's primary fuel sources for the generation of electricity are natural gas and coal. A disruption in the wholesale energy markets or in the Corporation's energy supply arrangements could adversely affect the Corporation's financial condition or its ability to meet electricity demand.

SaskPower has contracts in place that ensure supplies of coal at negotiated quantities and prices. These contracts extend out as far as 2024.

The impact of changing natural gas prices on the Corporation is mitigated by our energy management policies, which include the use of physical storage, physical term purchases and financial hedges. In accordance with SaskPower's Board-approved natural gas risk management program, the Corporation hedged 53% of its forecasted natural gas exposure for 2010.

As a result of the Corporation's policy, for every \$1.00/GJ change in natural gas market price in the current year, there will be an approximate \$0.50/GJ change in natural gas fuel cost to SaskPower. SaskPower has forecasted its natural gas volume exposure at 36.5 million GJs for 2010.

3. Foreign exchange

SaskPower has exposure to various currencies due to electricity trading activities and the acquisition of goods and services from foreign suppliers. The Corporation may use a variety of derivative financial instruments, such as foreign currency forward contracts, to manage this risk.

4. Interest rate

Changes in interest rates can impact the cost of new borrowings required to refinance existing debt or to finance infrastructure renewal and growth. In 2009, SaskPower received Board approval to increase the portion of short-term floating rate debt to about 15% of total borrowings including long-term obligations. The increase in short-term variable borrowings is expected to lower the Corporation's average borrowing costs both in the short-term and over the long-term.

Changes in interest rates may also impact the value of SaskPower's defined benefit pension plan. The Corporation mitigates this risk by investing in a balanced portfolio of fixed income and equity instruments.

B. Aging infrastructure risk and supply management risk

A large portion of the Corporation's critical assets are near or at the end of their expected service life. Aging assets are increasingly expensive to maintain and operate and may be less efficient than newer technologies. They may also contribute to system reliability risk.

SaskPower has in place a 10-year plan to invest \$8 billion to reinforce or replace its aging infrastructure as well as add new generation and transmission assets. Our company also employs risk and insurance management professionals and maintains appropriate insurance policies to mitigate against the impact of losses arising from the operation or failure of our assets.

1. Generation

Saskatchewan is experiencing a period of economic growth. In the next decade, load is expected to increase by approximately 40%, which will require the addition of new generation capability, increased use of partnerships, greater operational demands on existing generation infrastructure and other innovative ways to meet the electricity needed for the future. These activities are likely to be capital intensive but will also increase operating and maintenance costs.

SaskPower's new electricity and conservation strategy provides a clear plan to meet the province's short-term electricity supply requirements until 2014. The strategy includes both private and public development of both natural gas and renewable power sources. DSM, which involves encouraging conservation and altered patterns of electricity use, is also a significant component of the strategy with a goal of reducing customer demand by about 10 MW per year.

SaskPower is also evaluating the potential to integrate carbon capture and storage technologies with Boundary Dam Power Station Unit #3. A decision on whether to proceed will be made in 2010. If the project advances, the projected in-service date is 2013.

Unplanned generation outages that are longer in duration, multiple unplanned generation outages or catastrophic outages could have large economic risks and may result in SaskPower's inability to serve Saskatchewan's domestic load. A preventative maintenance program is in place to help limit the number, magnitude and duration of these potential unplanned outages and also increase the capability to provide the maximum energy output from least-cost sources. Ongoing programs are in place to manage generation risk and leverage advancing technology for the continuous improvement of operational efficiency, effectiveness, reliability and economy.

2. Transmission and Distribution

SaskPower's transmission and distribution system also requires upgrades to existing capacity and expansion of the transmission network to address economic growth and the related increase in load. Demand for new connection services continues to remain high, although volume is down from the record level of requests experienced in 2008.

The ability to handle increased loads requires the construction of new 138 kV and 230 kV transmission lines, as well as the phasing out of 72 kV lines for new developments. Benefits will include reduced line losses, increased amounts of carrying capability, reduced transformer inventories, as well as replacement of some of the oldest transmission assets. In addition, expansion of the network is required in areas such as the far North (north of La Ronge to Uranium City) where continued growth is requiring new transmission lines and routing.

Increased loads on the distribution system require upgrading of capacity for substation transformers and the construction of new overhead three-phase lines to serve the new loads into an area. All new rural and most new urban residential services are now served by underground distribution lines that require extensive planning and engineering to ensure minimal interference with other underground facilities. Existing overhead and underground facilities are continually being upgraded as they meet and exceed their design life. They are replaced with new facilities capable of handling increased load.

For the longer term, SaskPower will be investigating emerging distribution automation technologies with a view to integrate the operation and control of the provincial distribution system in order to improve reliability and outage response times for customers. The Corporation is also investigating and planning for the eventual installation of advanced metering at customers' residences and business facilities. This will allow customers the ability to better monitor their own energy consumption and will also allow SaskPower the ability to aggregate data and information to enable better operation and control of the system, while facilitating future planning and development of the entire distribution system in the province.

C. Operations risk

1. Labour action

A substantial part of SaskPower's workforce is unionized. At the end of 2009, the collective bargaining agreements (CBAs) of the International Brotherhood of Electrical Workers (IBEW), Local 2067, and the Communications, Energy and Paperworkers (CEP) Local 649 ended.

SaskPower proactively deals with any issues that arise under the CBAs through its professional labour relations staff and processes. While labour disruption could impact service delivery, Government of Saskatchewan essential services legislation requires both the employer and worker representatives to enter into good faith bargaining in order to develop an essential services plan at least 90 days before the expiration of the current CBAs. Accordingly, negotiations with both IBEW and CEP commenced in September 2009. The Corporation and its bargaining units did not achieve essential services agreements. However, in compliance with the legislation, the Corporation has fully disclosed and documented the following to its bargaining units:

1. Its plans for which services will be designated as essential;
2. The related classifications, and;
3. The names of employees in such classifications.

2. Professional and technical skills and retirement eligibility

SaskPower's business is dependent on its ability to recruit, retain and motivate employees. Competition for skilled employees in some areas is high and the inability to attract and retain these employees could adversely affect the achievement of business objectives and future operating results. Many of the Corporation's technical workers will be eligible for retirement by 2013. SaskPower employs specialists who actively source and recruit qualified professionals to fill key positions.

SaskPower offers competitive compensation and benefits, and other programs such as leadership training, professional development, succession planning, and a working environment that enables a reasonable work-life balance. In 2009, SaskPower was rated in the top 20 best provincial employers for the third year in a row and as a top diversity employer in Canada.

3. Employee and public safety

Working on or around high voltage equipment has inherent risk, as does work in confined spaces, around moving machinery, in high temperature and high pressure environments, and at heights or in other potentially dangerous circumstances. SaskPower has extensive policies, procedures and controls in place to minimize the risk of a harmful contact by an employee, contractor, or a member of the public. This includes the maintenance of a Safety Management System in compliance with the internationally recognized OHSAS 18001 specification. SaskPower has established an educational resource program to help inform the public of the hazards of power lines and delivers this information at public venues around the province.

4. Supply chain

SaskPower depends on certain vendors to provide key parts, equipment, goods and services. An interruption in a critical supply chain could disrupt operations and have a material effect on the Corporation's financial results.

SaskPower monitors supplier capabilities on an ongoing basis and encourages its key suppliers to improve their own business continuity and resiliency planning to maintain the Corporation's supply chain integrity.

5. Reliability/interconnection

The SaskPower electrical system is interconnected to the North American power grid. This allows the ability to import and export power, but it also creates the potential risk of system instability on the Saskatchewan grid which may be caused by the failures of external generation or transmission-related equipment or facilities — over which SaskPower has no control. System instability has the potential to cause service disruptions, while severe instability may damage generation and transmission assets.

To minimize the risk of system instability, each operating control area in the bulk system is required to have some special protections installed (e.g. under-frequency load shedding scheme, under-voltage load shedding scheme, generation dumping scheme) and run the system within specified operating limits in terms of system conditions.

SaskPower is equipped with these special protections to ensure our system operates in a safe and reliable manner. In order to maintain reliability of service, SaskPower is also responsible to analyze and identify its internal system instability issues according to actual system conditions and work out corresponding plans to mitigate the instability.

SaskPower system operators continually monitor the performance of the provincial grid and make necessary adjustments to maintain system stability. SaskPower participates in the North America bulk power system as part of the Midwest Reliability Organization (MRO) which recognizes the interconnectedness of the North American grid and establishes rules and operating standards to protect its integrity. Other members of the MRO are Manitoba Hydro and various electric power providers in eight American states. All have agreed to operate their facilities according to the standards set by North American Electric Reliability Corporation (NERC) and the MRO, which are designed to ensure system reliability.

6. Malicious/criminal acts, physical security and cyber security

SaskPower utilizes critical information systems on a stand alone and networked basis in the conduct of its business. These systems are susceptible to failure and to damage or conversion from their intended use through malicious attack. The Corporation may be subject to malicious or criminal acts, including terrorism, resulting in the theft of or damage to assets.

SaskPower maintains industry standard policies, processes and technical safeguards to ensure only authorized access and use of its information systems. The Corporation utilizes a risk management approach to ensure threats to its information systems are efficiently and effectively addressed. An information security program is in place and it utilizes, amongst other key controls, policies and procedures to ensure identified critical systems can be recovered or reinstated in the event of an adverse event and system failure. SaskPower maintains hiring, training, operating, security, maintenance and capital programs designed to provide for the safe and reliable operation of its information systems.

The Corporation has various policies and procedures pertaining to the protection of corporate assets and employs a professional corporate security resource who has responsibility for physical security, threat and risk assessment and investigations. In addition, SaskPower uses electronic surveillance and detection methods. The Corporation maintains reasonable levels of insurance to protect it against theft or vandalism related losses.

D. Construction risk

SaskPower has identified the need to invest \$8 billion over the next 10 years to maintain, upgrade and expand its infrastructure. There is risk that these projects may not be completed at all, may be completed on materially different terms or timing than initially anticipated, or the intended benefits of the project may not be realized.

Weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, labour difficulties, skills shortages or other events beyond SaskPower's control may influence the timing, costs and outcome of planned construction/expansion projects. Public acceptance of new infrastructure projects is an integral part of achieving regulatory approvals. SaskPower regularly consults with potentially affected stakeholders to increase understanding and foster public acceptance for projects. The failure to complete these projects in a timely manner could adversely affect the Corporation's ability to meet its customers' growing energy needs.

E. Credit risk

1. Customer credit

SaskPower incurs credit risk each time it provides electricity to its customers, for which it will later receive payment. The risk carried between delivery and payment is important because of the non-recoverable nature of electricity.

SaskPower has developed a number of payment options for its customers to reduce late payments and defaults. The Corporation uses industry standard accounts receivable aging and collection techniques up to and including the termination of service.

2. Counterparty credit

Counterparty risk, otherwise known as default risk, is the risk that a counterparty will fail to meet its contractual obligations. SaskPower maintains credit policies that include activity limits, the evaluation of a prospective counterparty's financial condition, collateral requirements where deemed necessary and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, we also monitor the financial condition of existing counterparties on an ongoing basis.

3. Customer portfolio

Sales to large customers (oilfields, power accounts and the Cities of Swift Current and Saskatoon) account for approximately one-third of revenue from domestic sales. The loss of a large, key customer could adversely affect SaskPower's revenue stream.

SaskPower monitors its customer mix and periodically assesses customer satisfaction for each class of customer. Key Account Representatives are responsible for monitoring assigned customer satisfaction and intentions on an ongoing basis.

F. Regulatory risk

1. Rate regulation process

The rates that SaskPower may charge its customers are subject to review by the Saskatchewan Rate Review Panel (the Panel) with final approval by Cabinet. Based on current rates, the impact of a 1% differential between a requested rate increase and the approved rate is approximately \$15 million per year and has a significant impact on financial results.

SaskPower may also experience a delay in receiving approval that would affect financial performance.

SaskPower follows standard accepted regulatory practices in designing rates and operating its system and presents these practices to the Saskatchewan Rate Review Panel in its rate applications.

2. NERC compliance requirements

North American participants in the bulk power system, including SaskPower, are subject to the reliability standards developed by NERC. In Saskatchewan, SaskPower is the sole regulatory authority and works to ensure compliance with the NERC reference standards. Failure to comply with the standards could impact our company's ability to buy and sell electricity in other jurisdictions.

3. Compliance with a complex regulatory framework

SaskPower is subject to extensive federal, provincial and local government regulations, all of which are subject to change. Failure to comply with rules and regulations pertaining to air quality, water quality, waste management, natural resources and health and safety may give cause to a number of sanctions such as fines, penalties, administrative costs and even stop work orders. Compliance with new laws or the revision or reinterpretation of existing laws may require us to incur additional expenses.

Management believes that the necessary approvals have been obtained and are maintained for our existing operations and that our business is conducted in accordance with applicable laws. The Corporate Law department provides knowledgeable interpretations in this regard.

G. Weather/other natural events risk

1. Weather

SaskPower's generation, transmission, and distribution businesses are marked by seasonal weather patterns affecting load. Demand for electricity peaks during hot summer months and peaks again during cold winter months. On December 14, 2009, SaskPower experienced a new record system load of 3,231 MW.

Adverse weather can affect system performance and reliability. Extreme cold can reduce the thermal efficiency of generation units. Generation assets may be damaged by anomalous weather events such as tornadoes, flooding, or geo-magnetic storms. Transmission and distribution systems are largely unprotected from the weather and vulnerable to severe weather impacts.

SaskPower develops supply management plans that incorporate experience from dealing with past seasonal peaks, together with long range weather forecasts, maintenance schedules and system performance to meet seasonal needs. At all times, the provincial electric system is controlled by operators who are carefully managing base-load and peaking generating assets and import supplies.

SaskPower has an ongoing Business Continuity Management Program that includes emergency response plans and trained responders at all power stations. Transmission and Distribution has developed severe weather and widespread damage response plans and procedures. These plans are being improved and further integrated as part of SaskPower's ongoing Business Continuity Management Program and as part of NERC compliance.

2. Hydrologic cycle

SaskPower relies on natural water sources for cooling, steam generation, and as a source of energy for hydro generation. If hydro generation is impaired, it has to be replaced with more costly gas generation or imports. There is potential for prolonged drought which may have a long-term impact on generating options.

SaskPower monitors water resources in the province through the Saskatchewan Watershed Authority and optimizes the output from the hydro facilities.

3. Epidemic/pandemic disease

In April 2009, the H1N1 virus emerged in Mexico with the first reported cases of human infection and some deaths. In June 2009, the World Health Organization declared the H1N1 virus had reached a significant level of international presence and declared the virus to be a pandemic, the first in 41 years. In May 2009, SaskPower implemented a comprehensive Influenza Pandemic and Business Continuity Plan. To date, the current pandemic has had minimal effect on SaskPower's operations. SaskPower will remain vigilant while H1N1 runs its course to ensure the sufficiency of response efforts and will continue to monitor international health events.

H. Environmental risk

1. Emissions standards

SaskPower is subject to environmental regulation in a number of areas, particularly with respect to air emissions and in particular, greenhouse gas emissions. The Canada Wide Standard for mercury required SaskPower to significantly reduce its mercury emissions by 2010. These requirements were met by SaskPower as of January 1, 2010.


In recent years, SaskPower has demonstrated strong environmental performance through its work on lowering emissions such as SO₂ and nitrogen oxides (NO_x). Reducing emissions of carbon dioxide (CO₂), mercury and particulate matter continues to be a matter of intense focus.

In 2009, SaskPower initiated the development of an integrated carbon capture and storage project at its Boundary Dam facility. While this project has its own capital requirements, it is intended to help offset future CO₂ penalties.

2. Hazardous substances

PCBs, asbestos, hydrocarbon contamination, and coal tar have been used or produced in the course of operations and are present on properties or in facilities and equipment currently or previously owned by the Corporation. SaskPower has established provisions for the remediation of known and possible environmental obligations.

SaskPower is dedicated to improving its environmental performance, demonstrating leadership, operational transparency and ongoing stakeholder engagement. One expression of SaskPower's environmental commitment is the maintenance of its Environmental Management System, which conforms to the ISO 14001 Standard. The requirements to maintain this certification are stringent and are internationally recognized.



Consolidated financial statements and notes

Report of Management

The consolidated financial statements of Saskatchewan Power Corporation are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to February 8, 2010. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

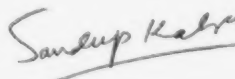
The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside directors. At regular meetings the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The MD&A, consolidated financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

On behalf of management,



Garner Mitchell
Acting president and chief executive officer
February 8, 2010



Sandeep Kalra
Vice-president and chief financial officer

Management's Report on Internal Control over Financial Reporting

I, Garner Mitchell, the acting chief executive officer of Saskatchewan Power Corporation, and I, Sandeep Kalra, the chief financial officer of Saskatchewan Power Corporation, certify the following:

- a. That we have reviewed the financial statements included in the Annual Report of Saskatchewan Power Corporation. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report fairly present in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2009.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of Saskatchewan Power Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That Saskatchewan Power Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities, and Saskatchewan Power Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Power Corporation.
- d. That Saskatchewan Power Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Power Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2009, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,



Garner Mitchell
Acting president and chief executive officer
February 8, 2010



Sandeep Kalra
Vice-president and chief financial officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2009, and the consolidated statements of income and retained earnings, comprehensive income and accumulated other comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 8, 2010

Consolidated statement of income and retained earnings

(in millions)

For the year ended December 31	2009	2008
Revenue		
Saskatchewan electricity sales	\$ 1,447	\$ 1,385
Exports	12	33
Net sales from electricity trading (Note 4)	7	17
Other revenue (Note 5)	80	54
Total revenue	1,546	1,489
Expense		
Fuel and purchased power (Note 6)	434	554
Natural gas risk management activities (Note 7)		
Realized	75	(9)
Unrealized	(10)	28
Operating, maintenance and administration (Note 8)	523	430
Depreciation and amortization (Note 9)	233	234
Finance charges (Note 10)	149	153
Taxes (Note 11)	39	35
Total expense	1,443	1,425
Net income	103	64
Retained earnings, beginning of year	870	853
Related party transactions (Note 28)	-	(1)
Dividends	-	(46)
Retained earnings, end of year	\$ 973	\$ 870

See accompanying notes

Consolidated statement of financial position

(in millions)

As at December 31

2009

2008

Assets

Current assets

Cash and cash equivalents (Note 12)	\$ -	\$ 6
Accounts receivable and unbilled revenue	214	180
Inventory (Note 13)	147	147
Risk management assets (Note 22)	-	2
	361	335

Property, plant and equipment (Notes 3 and 14)

Property, plant and equipment	7,272	6,820
Less: accumulated depreciation	3,296	3,116
	3,976	3,704
Construction in progress	282	186
	4,258	3,890

Debt retirement funds (Note 15)

	246	212
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Other assets (Notes 3 and 16)

	83	83
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Total assets	\$ 4,948	\$ 4,520
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Liabilities and equity

Current liabilities

Bank indebtedness (Note 12)	\$ 2	\$ -
Short-term advances (Note 17)	272	-
Accounts payable and accrued liabilities	220	168
Accrued interest	48	48
Risk management liabilities (Note 22)	28	39
Current portion of long-term debt (Note 18)	4	7
Dividends payable	-	8
	574	270

Long-term debt (Note 18)

	2,567	2,571
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Other liabilities (Note 19)

	175	150
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Total liabilities	3,316	2,991
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Equity

Retained earnings	973	870
Accumulated other comprehensive loss (Note 20)	(1)	(1)
	972	869
Equity advances (Note 21)	660	660

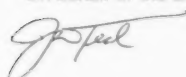
Total equity	1,632	1,529
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Total liabilities and equity	\$ 4,948	\$ 4,520
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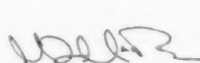
Commitments and contingencies (Note 25)

See accompanying notes

On behalf of the Board:



Joel Teal
Chair



Mick MacBean
Director

Consolidated statement of comprehensive income

(in millions)

For the year ended December 31	2009	2008
Net income	\$ 103	\$ 64
Other comprehensive loss:		
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	-	(1)
Loss on interest rate swaps	-	(2)
Other comprehensive loss	-	(3)
Total comprehensive income	\$ 103	\$ 61

Consolidated statement of accumulated other comprehensive loss

(in millions)

For the year ended December 31	2009	2008
Accumulated other comprehensive (loss) income, beginning of year	\$ (1)	\$ 2
Other comprehensive loss	-	(3)
Accumulated other comprehensive loss, end of year	\$ (1)	\$ (1)

See accompanying notes

Consolidated statement of cash flows

(in millions)

For the year ended December 31	2009	2008
Operating activities		
Net income	\$ 103	\$ 64
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization (Note 9)	233	234
Natural gas hedges market value (gains) losses (Notes: 7 and 22)	(9)	27
Natural gas hedges transitional market value adjustments reclassified to net income (Note 7)	(1)	1
Debt retirement fund earnings (Notes: 10 and 15)	(12)	(13)
Debt retirement fund market value losses (Notes: 10 and 15)	3	3
Defined benefit pension plan contribution (Note 29[a])	(27)	-
Defined benefit pension plan expense (Note 29[b])	36	11
Equity investment income (Note 16)	(7)	(7)
Environmental remediation expenditures (Note 19)	(5)	-
Allowance for obsolescence	1	3
Other	3	1
	318	324
Net change in non-cash working capital (Note 26)	24	(4)
Cash provided by operating activities	342	320
Investing activities		
Property, plant and equipment additions	(605)	(411)
Software additions	(20)	(5)
Interest capitalized (Note 10)	(15)	(6)
Customer contributions and net cost of removal	54	39
Equity investment distributions (Note 16)	4	6
Cash used in investing activities	(582)	(377)
Decrease in cash before financing activities	(240)	(57)
Financing activities		
Proceeds from recourse debt	-	353
Repayment of recourse debt	(3)	(337)
Short-term advances	272	-
Repayment of non-recourse debt	(4)	(3)
Debt retirement fund instalments (Note 15)	(25)	(24)
Debt retirement fund redemptions (Note 15)	-	59
Dividends paid	(8)	(69)
Cash provided by (used in) financing activities	232	(21)
Decrease in cash	(8)	(78)
Cash and cash equivalents, beginning of year	6	84
(Bank indebtedness)/cash and cash equivalents, end of year	\$ (2)	\$ 6
Supplemental information:		
Cash paid for interest	\$ 171	\$ 181
Cash paid for grants-in-lieu of taxes	18	17
Cash paid for capital tax	19	18

See accompanying notes

Notes to the consolidated financial statements

As at December 31, 2009

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

By virtue of *The Crown Corporations Act, 1993*, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies and related notes. Actual results could differ from those estimates, which may impact the actual results reported in future periods (Notes: 7, 9, 13, 14, 15, 16, 19, 22 and 29).

(b) Consolidation and investments

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries with all significant inter-company transactions and balances being eliminated. Joint venture interests are accounted for using the proportionate consolidation method. Investments in companies over which the Corporation exerts significant influence are accounted for using the equity method. Using this method, the investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of the post-acquisition earnings less cash distributions.

Separate audited financial statements are prepared for its operating wholly-owned subsidiaries: NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (SaskPower Shand Greenhouse). SaskPower International Inc. (wholly-owned subsidiary) has no active operations beyond its joint venture interests in Cory Cogeneration Station and Cory Cogeneration Funding Corporation, as well as its investment in MRM Cogeneration Station over which it exerts significant influence.

(c) Revenue recognition

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by provincial cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electrical deliveries not yet billed at year-end.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at their fair value (Notes: 4 and 22).

Wind power incentives received from the Government of Canada for electricity generated from the Centennial and Cypress generation facilities are recognized as other revenue upon delivery of the electricity into the SaskPower grid. Federal government funding has also been provided for research into the reduction of carbon emissions. In 2008, the federal government provided the Province of Saskatchewan's General Revenue Fund with funding to support carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for all eligible expenditures on the integrated carbon capture and storage (ICCS) project. The Corporation records the funds received as other revenue with actual expenditures recorded as operating, maintenance and administration (OM&A).

Other revenue also includes gas and electrical inspections and fly ash sales which are recorded upon delivery of the related good or service. Investment income, which is the Corporation's proportionate share of post acquisition earnings on its equity investment, is recorded in other revenue (Note 5).

Customer contributions are deferred and recognized in income as a credit to depreciation expense over the estimated service life of the related asset.

(d) Foreign currency translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(e) Cash and cash equivalents

Cash and cash equivalents includes short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value (Note 12).

(f) Inventory

Maintenance materials, supplies and fuel inventory are recorded at the lower of average cost and net realizable value. In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Materials are charged to inventory when purchased and then expensed or capitalized when installed (Note 13).

(g) Property, plant and equipment

Property, plant and equipment is recorded at original cost and includes material, direct labour, overhead costs and interest during construction. The Corporation capitalizes interest based on the weighted average cost of long-term borrowings.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount. Maintenance and repair costs are expensed as incurred.

Customer contributions are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment (Note 14).

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. The estimated useful life of property, plant and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively.

The average estimated service life of new assets for the major categories of property, plant and equipment is:

Asset	Average estimated service life (years)
Generation:	
Coal	30
Natural gas	24
Hydro	50
Cogeneration	30
Wind	20
Transmission	35 – 50
Distribution	33 – 40
Other	4 – 50

Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets, environmental remediation expense and accretion (interest) expense on asset retirement obligations (Note 9).

(h) Intangibles

The Corporation's only identifiable intangible asset is software. Software costs capitalized include externally purchased software packages as well as external and internal labour costs related to internally developed programs. Maintenance of existing software programs is expensed as incurred (*Note 16*).

Amortization is calculated on a straight-line basis over five years — the estimated useful life of the Corporation's software programs.

(i) Asset impairment

The Corporation evaluates its property, plant and equipment and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors, which could indicate an impairment exists, include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2009, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

(j) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes asset retirement obligations to decommission coal, natural gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower also recognizes asset retirement obligations for the decommissioning of assets containing PCBs in excess of existing federal regulations. The Corporation has not recognized an obligation for most of its transmission, distribution and hydro generation assets as an estimate of their fair value cannot be determined. The Corporation expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded in other liabilities, with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion expense. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation. Asset retirement obligations are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost (*Notes: 9 and 19*).

(k) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis (*Notes: 9 and 19*).

(l) Financial instruments

Classification and measurement

SaskPower classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in the line item to which the financial instrument

is related. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments, including natural gas, export and electricity trading contracts, are utilized by the Corporation to manage the exposure to natural gas and electricity price risk. All derivative contracts are recognized as a financial asset or a financial liability on the trade date. The Corporation has chosen not to designate its derivative instruments as hedges. As such, all derivative financial instruments are classified as held-for-trading and recorded at fair value on the consolidated statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the consolidated statement of income.

Certain commodity contracts for the physical purchase of natural gas have been designated as own-use contracts. SaskPower entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

The Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2009, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately (Note 22).

Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair values for cash and cash equivalents, bank indebtedness, and short-term advances were based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Natural gas swap contracts values are calculated using internal discounted cash flow analysis that relies on forward AECO C natural gas pricing provided by independent reference dealers. The contracted cash flows are discounted using observable yield curves. Natural gas options (two-way collars) are valued using over-the-counter or end-market pricing received from the reference dealer.

Electricity trading fair values are determined using independent pricing information from external market providers.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

(m) Employees' future benefits

The Corporation provides pension plans for all eligible employees, including a defined benefit pension plan and a defined contribution pension plan. The defined benefit pension plan (the Plan) is governed by *The Superannuation (Supplementary Provisions) Act and Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act and Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act and Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to OM&A expense.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. Market rates are used to measure the accrued benefit obligation and fair value to measure the Plan assets. The past service costs from amendments to the Plan are being amortized over the average remaining service life of the employees in the Plan. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of Plan assets is amortized over the average remaining service life of the employees in the Plan.

The Corporation provides severance plans for all eligible employees, including defined contribution and defined benefit severance plans. Under the defined contribution severance plan, SaskPower's obligations are limited to contributions made for current service. The cost of severance benefits under the defined benefit severance plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees in the defined benefit severance plans.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements (Note 29).

(n) Future accounting policy changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board and the Public Sector Accounting Board have confirmed that enterprises such as SaskPower will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower continues to make progress on its IFRS conversion project and has developed a detailed IFRS implementation plan. An external advisor was engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. Key accounting personnel have received IFRS training. SaskPower has also completed the required modifications to its financial systems to permit the preparation of IFRS compliant financial statements. Quarterly updates have been provided to the Executive, Board, and external auditors.

3. Change in accounting policies (in millions)

Goodwill and intangibles

Effective January 1, 2009, SaskPower adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, "Goodwill and intangible assets." This section provides further information on the recognition of internally generated intangible assets and requires intangible assets to be recognized as assets only if the definition of an intangible asset and the recognition criteria are met. It also requires that intangible assets be separately disclosed from other property, plant and equipment.

The recommendations have been applied retroactively resulting in the following reclassifications to the consolidated statement of financial position at December 31, 2008.

Financial statement category	Increase/(decrease)
Property, plant and equipment	\$ (11)
Other assets	11

There was no impact to the consolidated statement of income and retained earnings as a result of the adoption of this new section.

Financial instruments — disclosure

Effective December 31, 2009, SaskPower adopted the changes to CICA Section 3862, "Financial Instruments — Disclosures," regarding the disclosure of fair value techniques. The disclosure can be found in Notes 2(l) and 22.

Credit risk

Effective January 1, 2009, SaskPower adopted the Emerging Issues Committee (EIC) Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." Under EIC-173, the Corporation's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

4. Net sales from electricity trading (in millions)

	2009	2008
Electricity trading revenue	\$ 74	\$ 125
Electricity trading costs	(67)	(108)
	\$ 7	\$ 17

5. Other revenue (in millions)

	2009	2008
Gas and electrical inspections	\$ 11	\$ 10
Fly ash sales	8	10
Wind power production incentives	5	5
Equity investment income (Note 16)	7	7
Grant funding for ICCS demonstration project	28	2
Miscellaneous revenue	21	20
	\$ 80	\$ 54

6. Fuel and purchased power (in millions)

	2009	2008
Gas	\$ 191	\$ 309
Coal	194	190
Imports	19	33
Hydro	11	14
Wind	3	3
Other	16	5
	\$ 434	\$ 554

Gas costs include the fuel charges associated with the electricity generated from SaskPower-owned gas-fired facilities and the cost of electricity obtained through power purchase agreements with the Cory Cogeneration Station and the Meridian Cogeneration Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Wind includes the cost of electricity obtained through SaskPower's power purchase agreement with the SunBridge Wind Power Project. Other includes the cost of electricity obtained through power purchase agreements with NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects.

7. Natural gas risk management activities (in millions)

	2009	2008
Realized natural gas risk management activities	\$ 75	\$ (9)
Natural gas hedges market value (gains) losses	\$ (9)	\$ 27
Natural gas hedges transitional market value net (gains) losses reclassified to net income	(1)	1
Unrealized natural gas risk management activities	\$ (10)	\$ 28

8. Operating, maintenance and administration (in millions)

	2009	2008
Salaries and benefits	\$ 274	\$ 227
External services	153	109
Materials and supplies	32	34
Other	64	60
	\$ 523	\$ 430

9. Depreciation and amortization (in millions)

	2009	2008
Depreciation expense	\$ 236	\$ 226
Amortization of intangible assets	6	6
Accretion expense (Note 19)	3	3
Loss on asset disposals and retirements	5	11
Amortization of customer contributions	(13)	(12)
Environmental remediation expense (Note 19)	(4)	-
	\$ 233	\$ 234

10. Finance charges (in millions)

	2009	2008
Interest on long-term debt	\$ 171	\$ 170
Interest capitalized	(15)	(6)
Debt retirement fund earnings (Note 15)	(12)	(13)
Debt retirement fund market value losses (Note 15)	3	3
Interest income	-	(2)
Other interest and charges	2	1
	\$ 149	\$ 153

11. Taxes (in millions)

	2009	2008
Grants-in-lieu of taxes to 13 cities	\$ 18	\$ 17
Saskatchewan corporate capital tax	21	18
	\$ 39	\$ 35

In addition to the above, SaskPower collected a municipal surcharge, between 5% and 10% of residential electricity sales, on behalf of 403 Saskatchewan cities, towns and villages from customers and remitted \$45 (2008 - \$42) to local governments pursuant to Section 36 of *The Power Corporation Act*.

12. (Bank indebtedness)/cash and cash equivalents (in millions)

	2009	2008
Bank indebtedness	\$ (2)	\$ (2)
Short-term investments	-	8
	\$ (2)	\$ 6

Short-term investments earned interest at a weighted average rate of 1.45% (2008 - 3.49%) per annum.

13. Inventory (in millions)

	2009	2008
Maintenance materials and supplies	\$ 131	\$ 113
Allowance for obsolescence	(12)	(11)
Fuel	28	45
	\$ 147	\$ 147

During the year, \$232 (2008 - \$300) of fuel inventory and \$133 (2008 - \$114) of maintenance materials and supplies were consumed. There was a provision made to write-down inventory by \$3 (2008 - \$4) offset by \$2 (2008 - \$1) in obsolete inventory that was written off against the provision during 2009.

14. Property, plant and equipment (in millions)

	2009				2008			
	Cost	Accumulated depreciation	Construction in progress	Net book value	Cost	Accumulated depreciation	Construction in progress	Net book value
Generation	\$ 3,897	\$ 1,868	\$ 191	\$ 2,220	\$ 3,571	\$ 1,751	\$ 133	\$ 1,953
Cogeneration	135	32	-	103	140	27	-	113
Transmission	717	331	49	435	695	314	16	397
Distribution	2,106	881	22	1,247	2,036	857	9	1,188
Other	417	184	20	253	378	167	28	239
	\$ 7,272	\$ 3,296	\$ 282	\$ 4,258	\$ 6,820	\$ 3,116	\$ 186	\$ 3,890

Included in the above amounts are unamortized reconstruction charges and customer contributions of \$340 (2008 - \$300).

15. Debt retirement funds (in millions)

A reconciliation between the opening and closing debt retirement funds balance is provided below:

	2009	2008
Debt retirement funds, beginning of year	\$ 212	\$ 237
Debt retirement fund instalments	25	24
Debt retirement fund redemptions	-	(59)
Debt retirement fund earnings (Note 10)	12	13
Debt retirement fund market value losses (Note 10)	(3)	(3)
Debt retirement funds, end of year	\$ 246	\$ 212

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually into debt retirement funds administered by Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2009, scheduled debt retirement fund instalments for the next five years are as follows:

	2010	2011	2012	2013	2014
Debt retirement fund annual contribution	\$ 25	\$ 25	\$ 25	\$ 25	\$ 24

16. Other assets (in millions)

	2009	2008
MRM Cogeneration Station	\$ 32	\$ 29
Prepaid expense	17	24
Defined benefit pension asset (Note 29(a))	8	17
Intangible assets	25	11
Investment	1	2
	\$ 83	\$ 83

MRM Cogeneration Station

The Corporation has a 30% ownership interest in the MRM Cogeneration Station. The 172-megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. A reconciliation between the opening and closing equity investment balance is provided below:

	2009	2008
Equity investment, beginning of year	\$ 29	\$ 30
Equity investment income	7	7
Equity investment other comprehensive loss	-	(2)
Equity investment distributions	(4)	(6)
Equity investment, end of year	\$ 32	\$ 29

Prepaid expense

This includes prepaid amounts for insurance, licenses and payments made in accordance with long-term coal supply agreements. The prepaid amount is amortized on a straight-line basis over the period of benefit.

Defined benefit pension asset

This represents the surplus in the defined benefit pension plan based on long-term assumptions. It does not represent cash or investments held by the Corporation outside of the plan.

Intangible assets

A continuity schedule for intangible assets is provided below.

	2009			2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Software	\$ 130	\$ 105	\$ 25	\$ 110	\$ 99	\$ 11

Investment

This represents an investment in the Master Asset Vehicle II (MAVII) instrument. The investment is recorded at its estimated fair value at December 31, 2009 (Note 22).

17. Short-term advances (in millions)

Date of issue	Date of maturity	Interest rate (%)	Currency	Outstanding amount
December 31, 2009	January 4, 2010	0.25	Canadian dollar	\$ 272

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

18. Long-term debt (in millions)

	2009	2008
Recourse debt – advances from the Province of Saskatchewan	\$ 2,472	\$ 2,475
Non-recourse debt	80	84
Unamortized debt premiums net of issue costs	19	19
Gross long-term debt	2,571	2,578
Less: current portion of long-term debt	(4)	(7)
Long-term debt	\$ 2,567	\$ 2,571

The recourse debt is comprised of advances from the Province of Saskatchewan's General Revenue Fund, substantially all of which have annual debt retirement fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Station. Under the terms of this debt, lenders have recourse limited to the Station's assets.

Recourse debt – advances from the Province of Saskatchewan

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
July 20, 1993	July 15, 2013	8.63	7.81	\$ 97
December 20, 1990	December 15, 2020	11.23	9.97	129
February 4, 1992	February 4, 2022	9.27	9.60	240
July 21, 1992	July 15, 2022	10.06	8.94	256
May 30, 1995	May 30, 2025	8.82	8.75	100
August 8, 2001	September 5, 2031	6.49	6.40	200
January 15, 2003	September 5, 2031	5.91	6.40	100
May 12, 2003	September 5, 2033	5.90	5.80	100
January 14, 2004	September 5, 2033	5.68	5.80	200
October 5, 2004	September 5, 2035	5.50	5.60	200
February 15, 2005	March 5, 2037	5.09	5.00	150
May 6, 2005	March 5, 2037	5.07	5.00	150
February 24, 2006	March 5, 2037	4.71	5.00	100
March 6, 2007	June 1, 2040	4.49	4.75	100
April 2, 2008	June 1, 2040	4.67	4.75	250
December 19, 2008	June 1, 2040	4.71	4.71	100
				\$ 2,472

Non-recourse debt

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
April 26, 2001	March 31, 2010, to December 31, 2025	7.87	7.59	\$ 41
April 26, 2001	March 31, 2010, to June 30, 2026	7.88	7.60	37
October 4, 2002	March 31, 2010, to December 31, 2011	Floating	B.A. ¹ +margin	2
				\$ 80

1. A Banker's Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian banks with the high and low rates omitted from the average. The margin ranges from 0.0% to 1.375%.

As at December 31, 2009, scheduled principal debt retirement requirements for the next five years are as follows:

	2010	2011	2012	2013	2014
Recourse debt	\$ –	\$ –	\$ –	\$ 97	\$ –
Non-recourse debt	4	4	4	4	5
	\$ 4	\$ 4	\$ 4	\$ 101	\$ 5

19. Other liabilities (in millions)

	2009	2008
Asset retirement obligations	\$ 84	\$ 53
Environmental remediation liabilities	45	54
Other benefit plans (Note 29)	46	43
	\$ 175	\$ 150

Asset retirement obligations

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

	2009	2008
Asset retirement obligations, beginning of year	\$ 53	\$ 34
Liabilities incurred in the period	28	16
Liabilities removed in the period	-	-
Accretion expense	3	3
Asset retirement obligations, end of year	\$ 84	\$ 53

In 2009, the Corporation revised its estimate of future asset retirement costs at its facilities. The change in estimate was applied prospectively, effective December 31, 2009. This resulted in a \$28 increase in property, plant and equipment and other liabilities with no impact on depreciation expense in 2009.

The increase in estimate was primarily the result of changes in the timing of anticipated decommissioning activities and accompanying increases in overall costs due to the impact of inflation; the removal of salvage credits from the decommissioning cost estimates; and the addition of estimated costs for the removal and disposal of equipment containing PCBs in excess of current environmental laws and regulations.

SaskPower estimates the undiscounted amount of cash flows required to settle the asset retirement obligations is approximately \$253, which will be incurred between 2012 and 2045. The majority of these costs will be incurred between 2025 and 2036. Credit-adjusted risk-free rates between 4.13% and 6.04% were used to calculate the carrying values of the asset retirement obligations. No funds have been set aside by the Corporation to settle the asset retirement obligations.

Environmental remediation liabilities

Environmental remediation liabilities represent expected environmental expenditures related to present or past activities of the Corporation.

The Corporation's estimate for environmental remediation liabilities was reduced by \$4 in 2009 as a result of a review of the liability by an external consultant, and \$5 as a result of remediation activities undertaken in the year which were charged against the provision.

Other benefit plans

Other benefit plans include the liability for a defined benefit and defined contribution severance plan, a supplementary superannuation plan, and various early retirement plans.

20. Accumulated other comprehensive loss (in millions)

	2009	2008
Unrealized losses on interest rate swaps	\$ (1)	\$ (1)

21. Equity advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

22. Financial instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

At December 31			2009		2008	
			Asset (liability)		Asset (liability)	
Financial instrument	Classification ⁴	Level ⁵	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	HFT ¹	1	\$ -	\$ -	\$ 6	\$ 6
Accounts receivable and unbilled revenue	L&R ²	N/A	214	214	180	180
Debt retirement funds	HFT ¹	2	246	246	212	212
Investment	HFT ¹	3	1	1	2	2
Financial liabilities						
Bank indebtedness	HFT ¹	1	\$ (2)	\$ (2)	\$ -	\$ -
Accounts payable and accrued liabilities	OL ³	N/A	(220)	(220)	(168)	(168)
Accrued interest	OL ³	N/A	(48)	(48)	(48)	(48)
Dividends payable	OL ³	N/A	-	-	(8)	(8)
Recourse debt	OL ³	2	(2,493)	(2,965)	(2,496)	(2,992)
Short-term advances	HFT ¹	1	(272)	(272)	-	-
Non-recourse debt	OL ³	2	(78)	(91)	(82)	(89)

Risk management assets and liabilities

The following summarizes the market value gains and losses on the Corporation's risk management activities:

At December 31	Classification ⁴	Level ⁵	2009		2008		2009 market gains (losses)
			Asset	Liability	Asset	Liability	
Natural gas contracts							
Two-way collars	HFT ¹	2	\$ -	\$ -	\$ 1	\$ (3)	\$ 2
Fixed price swap instruments	HFT ¹	2	-	(28)	1	(36)	7
Electricity trading contracts							
Contract for differences	HFT ¹	2	-	-	-	-	-
Forward agreements	HFT ¹	2	-	-	-	-	-
			\$ -	\$ (28)	\$ 2	\$ (39)	\$ 9

1. HFT – held-for-trading.

2. L&R – loans and receivables.

3. OL – other liabilities.

4. The Corporation has not classified any of its financial instruments as either held-to-maturity or available-for-sale.

5. Fair values are determined using a fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments – including accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and dividends payable – are carried at values which approximate fair value due to the short period to maturity.

23. Financial risk management (in millions)

Market risk

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Natural gas contracts

The Corporation is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2009, the Corporation had entered into financial and physical natural gas contracts to price manage approximately 53% of its forecasted natural gas purchases for 2010, 45% for 2011 and 40% for 2012.

Based on the Corporation's December 31, 2009, closing positions on its financial natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a \$29 improvement in the unrealized market value losses recognized in net income for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at December 31, 2009.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated maximum loss that could be incurred over a specified period of time. At December 31, 2009, the VaR associated with electricity trading activities was nil as no electricity trading contracts were held for trading.

Debt retirement funds

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Province of Saskatchewan's General Revenue Fund. The Corporation has classified these investments as held-for-trading and, therefore, recognized the change in the market value in net income for the period. At December 31, 2009, SaskPower had \$246 in debt retirement funds outstanding. The fair value of the debt retirement funds is driven largely by interest rates. The estimated impact of a one percent increase in interest rates and assuming no change in the amount of debt retirement funds outstanding would be a \$19 decrease in the market value of the debt retirement fund.

Interest rate

The Corporation is exposed to interest rate risk on the Corporation's short-term variable interest rate debt. At December 31, 2009, SaskPower had \$272 in short-term debt outstanding. The Corporation is also exposed to interest rate risk arising from fluctuations in interest rates on future short-term and long-term borrowings. Interest rate risk on these expected future borrowings are managed by having an appropriate mix of fixed and floating rate debt. The Corporation may also use derivative financial instruments when deemed appropriate to manage interest rate risk. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates as at December 31, 2009, and the amount and duration of the short-term variable interest rate debt is not considered significant.

Foreign exchange

The Corporation faces exposure to the US/Canadian dollar exchange rate primarily through the sale of electricity to customers in the US, as well as from the purchase of goods and services that are payable in US dollars. The Corporation may utilize financial instruments to manage this risk. As at December 31, 2009, the Corporation had no outstanding foreign exchange derivative contracts. The impact of fluctuations in foreign exchange rates on SaskPower's financial instruments is not considered significant to the Corporation and, therefore, a sensitivity analysis of the impact on net income has not been provided.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not have a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2009, is limited to the fair value of the financial assets recognized as follows:

Financial assets	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$ -	\$ 6
Accounts receivable and unbilled revenue	214	180
Risk management assets	-	2
Debt retirement funds	246	212
Investment	1	2
	\$ 461	\$ 402

- (a) Cash and cash equivalents include short-term investments that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are invested in accordance with Board-approved credit policies and limits in respect to short-term investments. The credit risk related to these investments is considered low.
- (b) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at December 31, 2009:

	December 31, 2009	December 31, 2008
Current	\$ 196	\$ 171
30 - 59 days	9	6
60 - 89 days	3	3
Greater than 90 days	3	2
	\$ 211	\$ 182
Allowance for doubtful accounts	(1)	(1)
Customer down payment	(5)	(5)
Miscellaneous receivables	9	4
	\$ 214	\$ 180

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

- (c) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.
- (d) Debt retirement funds are on deposit with Province of Saskatchewan's General Revenue Fund and invested as the Minister of Finance may determine. At December 31, 2009, the minister has invested these funds primarily in provincial government and federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2009, is considered low.
- (e) In 2009, the Corporation converted its investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) to longer-term interest paying notes, Master Asset Vehicle II (MAVII), which will be paid off as the underlying assets mature. As of December 31, 2009, the investment has been written-down by 45% to reflect the uncertainty with respect to SaskPower being repaid the full value of its initial investment. It is recognized in other assets on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities:

Financial liabilities	Carrying amount	Contractual cash flows	Contractual cash flows				
			0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 2	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -
Short-term advances	272	272	272	-	-	-	-
Accounts payable and accrued liabilities	220	220	220	-	-	-	-
Accrued interest	48	48	48	-	-	-	-
Risk management liabilities	28	28	28	-	-	-	-
Recourse debt	2,493	5,649	34	82	164	582	4,787
Non-recourse debt	78	133	5	5	10	27	86
	\$ 3,141	\$ 6,352	\$ 609	\$ 87	\$ 174	\$ 609	\$ 4,873

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

The carrying amount of the recourse and non-recourse debt is the net of the outstanding principal and any premiums or issue costs.

24. Capital management (in millions)

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and growth strategies for the Corporation.

SaskPower raises most of its capital requirements through internal operating activities and through funds obtained by borrowing from the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to \$5,000. This includes \$750 which may be by way of temporary loans and available credit of \$51 at financial institutions that it can draw upon.

The Corporation's capital structure consists of gross long-term debt net of debt retirement funds, short-term advances, equity advances and retained earnings less cash and cash equivalents.

The Corporation monitors its capital structure using the per cent debt ratio. The per cent debt ratio target is 60 - 75%. The per cent debt ratio is calculated as total net debt divided by total capital as follows:

	December 31, 2009	December 31, 2008
Gross long-term debt	\$ 2,571	\$ 2,578
Short-term advances	272	-
Debt retirement funds	(246)	(212)
Bank indebtedness (cash and cash equivalents)	2	(6)
Total net debt	2,599	2,360
Equity advances	660	660
Retained earnings	973	870
Total capital	\$ 4,232	\$ 3,890
Per cent debt ratio	61.4%	60.7%

25. Commitments and contingencies (in millions)

- (a) The Corporation has entered into power purchase agreements that provide approximately 469 MW of generating capacity. SaskPower recently negotiated two new power purchase agreements with Red Lily Wind Power LP for a wind facility and Northland Power for a natural gas generating station. Both facilities are expected to become operational in 2011 with generating capacities of 25 MW and 86 MW, respectively. The total cost of all power purchase agreements is expected to be \$7,502 (2008 - \$6,194) until 2036.
- (b) SaskPower has entered into contracts to purchase natural gas expected to cost \$223 (2008 - \$95) based on forward market prices until 2012. This includes fixed price forward contracts with a notional value of \$180 (2008 - \$13) for which the Corporation has elected to use the own-use exemption.
- (c) At 2009 prices, the Corporation also has forward commitments of \$1,289 (2008 - \$1,496) extending until 2024 for future minimum coal deliveries.
- (d) The Corporation is forecasting to spend \$832 on capital projects in 2010.
- (e) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed \$12 (2008 - \$13) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.
- (f) SaskPower has committed to electricity sales of nil (2008 - \$15) and electricity purchases of nil (2008 - \$11). These contracts are considered derivative financial instruments and changes in their fair value have been included in net income.
- (g) The Corporation has issued letters of credit and promissory notes in the amount of \$6 (2008 - \$4) related to electricity trading activities and physical natural gas purchases.
- (h) SaskPower has a commitment to make contributions to the Power Corporation Superannuation Plan as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement requires SaskPower to pay \$81 into the Plan in three equal installments over three years. The first payment of \$27 was completed on December 15, 2009. The second payment is due July 1, 2010, and the final payment is due July 1, 2011.

SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

26. Net change in non-cash working capital (in millions)

	2009	2008
Accounts receivable and unbilled revenue	\$ (34)	\$ 5
Inventory	(1)	(7)
Prepaid expense	7	2
Accounts payable and accrued liabilities	52	2
Accrued interest	-	(6)
Increase (decrease) in working capital	\$ 24	\$ (4)

27. Joint ventures (in millions)

- (a) The Corporation holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.
- (b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.
- (c) The Corporation's interest in joint ventures is summarized below:

	2009	2008
Statement of income		
Revenue	\$ 20	\$ 20
Operating, maintenance and administration	(7)	(5)
Depreciation and amortization	(5)	(5)
Finance charges	(6)	(6)
Income from joint ventures	\$ 2	\$ 4
Statement of financial position		
Current assets	\$ 5	\$ 4
Property, plant and equipment	103	113
Current liabilities	(6)	(5)
Non-recourse long-term debt	(74)	(78)
Other liabilities	(1)	(1)
Investment in joint ventures	\$ 27	\$ 33
Statement of cash flows		
Operating activities	\$ 8	\$ 10
Investing activities	5	(1)
Financing activities	(12)	(7)
Increase in cash	\$ 1	\$ 2

Current assets include cash of \$3 (2008 - \$2) which is only available for use within the joint ventures.

28. Related party transactions (in millions)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2009	2008
Revenue	\$ 135	\$ 114
Expense	282	275
Dividends declared	-	46
Accounts receivable and unbilled revenue	10	3
Property, plant and equipment	12	26
Accounts payable and accrued liabilities	10	10
Accrued interest	48	48
Dividends payable	-	8

Included in revenue above is \$28 (2008 - \$2) in federal government grants provided to the Corporation to fund

SaskPower's ICCS project. In 2008, the federal government provided the Province of Saskatchewan's General Revenue Fund with \$240 to fund carbon capture and storage demonstration projects. These funds were subsequently transferred to CIC, which in turn reimburses SaskPower for eligible expenditures on the ICCS project.

In the prior year, SaskPower purchased property from Saskatchewan Transportation Company. This purchase was accounted for as a related party transaction and as such, the excess of consideration paid over the net book value of the property was charged to retained earnings (\$1).

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

29. Employees' future benefits (in millions)

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2009.

The effective date of the most recent actuarial valuation for funding purposes was December 31, 2008. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every 3 years. However, the Corporation has committed to request an actuarial valuation for funding purposes in 2010 with an effective date of December 31, 2009.

The defined benefit pension plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2009, showed that the Plan had an actuarial deficit of \$162 (2008 – \$106). The decline in the funded status of the Plan was mainly due to a decrease in the discount rate from 6.25% to 6.00% per annum and the impact of investment earnings being less than expected. The calculation of the pension plan deficit is as follows:

	2009	2008
Plan assets		
Fair value, beginning of year	\$ 699	\$ 836
Actual return (loss) on plan assets	23	(95)
Employee funding contributions	2	2
Benefits paid	(46)	(44)
Fair value, end of year	678	699
Accrued benefit obligation		
Balance, beginning of year	805	827
Current service cost	8	8
Interest cost	49	47
Benefits paid	(46)	(44)
Actuarial loss (gain)	24	(33)
Balance, end of year	840	805
Plan deficit at September 30	\$ (162)	\$ (106)

For accounting purposes, an asset of \$8 (2008 – \$17) has been recorded in other assets on SaskPower's consolidated statement of financial position at December 31, 2009. The difference between the value reported as the Plan deficit and the value recorded on SaskPower's consolidated statement of financial position is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience.

Below is a reconciliation of the Plan deficit and the value of the Plan recorded on SaskPower's consolidated statement of financial position:

	2009	2008
Plan deficit	\$ (162)	\$ (106)
Add: unamortized net actuarial loss not yet recorded	140	108
Add: unamortized past service costs	3	15
Add: SaskPower contribution to the Plan	27	-
Defined benefit pension asset recorded in other assets	\$ 8	\$ 17

There are three significant reconciling items. The first item relates to the unamortized net actuarial loss. This loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions.

The second item relates to the unamortized past service costs. These costs relate to legislation introduced by the Government of Saskatchewan in 2006 that amended the Plan to provide regular benefit increases equal to 70% of the increase in the Saskatchewan CPI.

The third item relates to SaskPower's contribution to the Plan as a result of a binding court settlement from a legal action that was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Plan. The settlement requires SaskPower to pay \$81 into the Plan in three equal instalments over three years. The first payment of \$27 was completed on December 15, 2009. The second payment is due July 1, 2010, and the final payment is due July 1, 2011.

(b) Benefit expense

In 2009, using long-term assumptions as noted in (c), the Corporation recorded a non-cash pension expense of \$36 (2008 - \$11). This amount was recorded in the Corporation's operating, maintenance and administration expense. The following is a summary of the calculation of the pension expense:

	2009	2008
Cost arising from events during the year		
SaskPower's current service cost	\$ 6	\$ 6
Interest on accrued benefit obligation	49	47
Actual (return) loss on plan assets	(23)	95
Actuarial loss (gain) on accrued benefit obligation	24	(33)
Future benefit costs before adjustments	56	115
Adjustments to recognize the long-term nature of cost		
Difference between actual and expected return on plan assets	(22)	(150)
Amortization of past service costs	12	13
Difference between amortization of net actuarial loss (gain) and actual actuarial loss (gain) on accrued benefit obligation	(10)	33
Total adjustments	(20)	(104)
Pension expense recorded in operating, maintenance and administration	\$ 36	\$ 11

(c) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2009	2008
Discount rate, beginning of year	6.25%	5.75%
Discount rate, end of year	6.00%	6.25%
Expected long-term rate of return on plan assets, beginning of year	6.75%	6.75%
Expected long-term rate of return on plan assets, end of year	6.75%	6.75%
Long-term rate of compensation increases	3.50%	3.50%
Remaining service life (years)	1.93	2.56
Long-term inflation rate	2.50%	2.50%
Assumptions for benefit increases (percentage of CPI)	70.00%	70.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate is based on the nominal forward curve for high quality Canadian corporate bonds at September 30, 2009. The expected long-term rate of return on Plan assets is based upon the asset mix of the Plan and expected returns for each asset class.

(d) Benefit plan asset allocation

	2009	2008
Equity securities	57.1%	60.3%
Debt securities	34.2%	39.0%
Short-term securities	0.6%	0.7%
Real estate and infrastructure	8.1%	0.0%
	100.0%	100.0%

(e) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

	2010	2011	2012	2013	2014
Expected benefit payments	\$ 53	\$ 61	\$ 65	\$ 68	\$ 69

Defined contribution pension plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current service. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

	2009	2008
Defined contribution pension plan expense	\$ 12	\$ 10

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan. A reconciliation between the opening and closing accrued benefit obligations balance is provided below:

	2009	2008
Accrued benefit obligations		
Balance, beginning of year	\$ 43	\$ 42
Expense	12	10
Benefits paid	(9)	(9)
Balance, end of year	\$ 46	\$ 43
Present value of accrued benefit obligations	\$ 60	\$ 56

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2009	2008
Discount rate	3.00% - 4.00%	5.50% - 6.25%
Long-term rate of compensation increases	3.50%	3.50%
Remaining service life (years)	8.73	9.06

30. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-year financial summary

(in millions)	2009	2008	2007	2006	2005
Consolidated statement of income					
Revenue					
Saskatchewan electricity sales	\$ 1,447	\$ 1,385	\$ 1,356	\$ 1,269	\$ 1,181
Exports	12	33	57	29	68
Net sales from electricity trading	7	17	11	15	9
Other revenue	80	54	45	40	31
Total revenue	1,546	1,489	1,469	1,353	1,289
Operating costs					
Net fuel and purchased power	509	545	481	498	454
Operating, maintenance and administration	523	430	416	360	336
Depreciation and amortization	233	234	219	207	189
Finance charges	149	153	167	161	147
Taxes	39	35	35	34	32
Total operating costs	1,453	1,397	1,318	1,260	1,158
Operating income	\$ 93	\$ 92	\$ 151	\$ 93	\$ 131
Unrealized natural gas risk management activities	10	(28)	(13)	—	—
Net income	\$ 103	\$ 64	\$ 138	\$ 93	\$ 131
Consolidated statement of financial position					
Assets					
Current assets	\$ 361	\$ 335	\$ 418	\$ 354	\$ 365
Property, plant and equipment	4,258	3,890	3,722	3,679	3,597
Debt retirement funds	246	212	237	201	170
Other assets	83	83	98	130	139
Total assets	\$ 4,948	\$ 4,520	\$ 4,475	\$ 4,364	\$ 4,271
Liabilities and equity					
Current liabilities	\$ 574	\$ 270	\$ 605	\$ 312	\$ 294
Long-term debt	2,567	2,571	2,225	2,449	2,415
Other liabilities	175	150	130	135	126
Equity	1,632	1,529	1,515	1,468	1,436
Total liabilities and equity	\$ 4,948	\$ 4,520	\$ 4,475	\$ 4,364	\$ 4,271
Consolidated statement of cash flows					
Cash provided by operating activities	\$ 342	\$ 320	\$ 373	\$ 255	\$ 297
Cash used in investing activities	(582)	(377)	(248)	(258)	(457)
Cash provided by (used in) financing activities	232	(21)	(61)	(42)	121
(Decrease) increase in cash position	\$ (8)	\$ (78)	\$ 64	\$ (45)	\$ (39)
Financial indicators					
Dividends	\$ —	\$ 46	\$ 97	\$ 61	\$ 85
Capital expenditures	\$ 640	\$ 422	\$ 280	\$ 285	\$ 473
Operating return on equity	5.9%	5.9%	10.1%	6.4%	9.2%
Return on equity	6.5%	4.2%	9.3%	6.4%	9.2%
Per cent debt ratio	61.4%	60.7%	59.7%	61.0%	60.9%

Five-year revenue statistics

	2009	2008	2007	2006	2005
Number of Saskatchewan electricity customers					
Residential	334,684	328,719	321,183	315,203	311,736
Farm	62,245	62,712	63,384	64,273	65,110
Commercial	55,853	54,563	53,917	53,574	53,008
Oilfield	14,461	13,932	13,147	12,437	11,757
Power	84	78	80	80	79
Reseller	2	2	2	2	2
	467,329	460,006	451,713	445,569	441,692

Total electricity sales (in millions)

Residential	\$ 356	\$ 322	\$ 311	\$ 288	\$ 269
Farm	136	125	127	118	121
Commercial	320	297	292	279	267
Oilfield	215	203	192	176	158
Power	346	366	362	337	302
Reseller	74	72	72	71	64
Saskatchewan electricity sales	1,447	1,385	1,356	1,269	1,181
Exports	12	33	57	29	68
Total electricity sales	\$ 1,459	\$ 1,418	\$ 1,413	\$ 1,298	\$ 1,249

Total electricity sales (GWh)

Residential	2,865	2,721	2,643	2,531	2,514
Farm	1,338	1,306	1,329	1,272	1,337
Commercial	3,407	3,311	3,269	3,239	3,200
Oilfield	2,742	2,682	2,541	2,399	2,264
Power	6,139	6,898	6,854	6,666	6,552
Reseller	1,274	1,274	1,287	1,293	1,266
Saskatchewan electricity sales	17,765	18,192	17,923	17,400	17,133
Exports	224	409	851	480	1,048
Total electricity sales	17,989	18,601	18,774	17,880	18,181

Average electricity sales price (\$/MWh)

Residential	\$ 124	\$ 118	\$ 118	\$ 114	\$ 107
Farm	101	96	96	93	91
Commercial	94	90	89	86	83
Oilfield	78	76	76	73	70
Power	56	53	53	51	46
Reseller	58	57	56	55	51
Exports	56	81	67	60	65
Total weighted average electricity sales price	\$ 81	\$ 76	\$ 75	\$ 73	\$ 69

Average annual usage

per residential customer (kWh)	8,560	8,278	8,229	8,030	8,065
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Electricity trading

Electricity trading sales (in millions)	\$ 74	\$ 125	\$ 125	\$ 118	\$ 46
Electricity trading sales (GWh)	1,461	1,813	1,897	1,649	622

Five-year generating and operating statistics

	2009	2008	2007	2006	2005
Net electricity supplied (GWh)					
Coal	12,317	11,405	11,661	11,102	11,467
Gas	3,432	3,812	3,545	3,556	3,234
Hydro	2,962	4,030	4,393	4,032	4,573
Wind	579	574	620	573	92
Imports	440	587	316	451	481
Other	134	72	36	-	-
Gross electricity supplied	19,864	20,480	20,571	19,714	19,847
Line losses	(1,875)	(1,879)	(1,797)	(1,834)	(1,666)
Net electricity supplied	17,989	18,601	18,774	17,880	18,181
Available generating capacity (net MW)					
Coal	1,682	1,682	1,661	1,661	1,651
Gas	1,112	913	976	976	976
Hydro	854	854	854	854	854
Wind	172	172	172	172	22
Other	20	20	5	5	-
	3,840	3,641	3,668	3,668	3,503
Peak loads (net MW)					
Annual peak load	3,231	3,194	2,969	2,960	2,946
Minimum load	1,561	1,664	1,583	1,510	1,482
Summer peak load	2,773	2,834	2,879	2,706	2,639
Lines in service (km)					
Transmission lines	12,404	12,311	12,216	12,212	12,159
Distribution lines	145,169	144,350	143,602	142,843	142,110
	157,573	156,661	155,818	155,055	154,269
Number of permanent full-time employees	2,653	2,541	2,488	2,458	2,425

System map

As at December 31, 2009

AVAILABLE GENERATION (net capacity)

■ HYDROELECTRIC

- 1 Athabasca Hydroelectric System - 23 MW
 - Wellington (5 MW)
 - Waterloo (8 MW)
 - Charlot River (10 MW)
- 2 Island Falls Hydroelectric Station - 102 MW
- 4 Nipawin Hydroelectric Station - 255 MW
- 5 E.B. Campbell Hydroelectric Station - 288 MW
- 12 Coteau Creek Hydroelectric Station - 186 MW

■ NATURAL GAS

- 3 Meadow Lake Power Station - 44 MW
- 8 Ermine Power Station - 92 MW
- 9 Landis Power Station - 79 MW
- 11 Queen Elizabeth Power Station - 429 MW
- 14 Success Power Station - 30 MW

■ WIND

- 15 Cypress Wind Power Facility - 11 MW
- 17 Centennial Wind Power Facility - 150 MW

■ COAL

- 19 Poplar River Power Station - 582 MW
- 20 Boundary Dam Power Station - 824 MW
- 22 Shand Power Station - 276 MW

■ INDEPENDENT POWER PRODUCERS

- 6 Meridian Cogeneration Station - 210 MW
- 7 NRGreen Kerrobert Heat Recovery Project - 5 MW
- 10 Cory Cogeneration Station - 228 MW
- 13 NRGreen Loreburn Heat Recovery Project - 5 MW
- 16 SunBridge Wind Power Project - 11 MW
- 18 NRGreen Estlin Heat Recovery Project - 5 MW
- 21 NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- - - 138 kV line operating at 72 kV
- Switching station
- ⬮ Interconnection





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